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ESTABLISHED 1887

Retaliation: Quandary for U.S. Military Strike Would Radically Change Posture in Gulf

By David B. Ottaway and Molly Moore Washington Post Service

WASHINGTON — The Iranian missile attack on a U.S.-flagged tinker inside Kuwaiti waters is forcing the Reagan administration to define with new precision its role and objectives in the Gulf.

Any decision to strike back against the presumed launching site of the Silkworm missile that hit the tanker, the Sea Isle City, on Friday would be likely to radically change the American posture in the

It would end any U.S. pretense of strict neutrality in the Iran-Iraq war, move the United States clearly to the side of Iraq, cross a new line in defense of the Arab Gulf states and open the door to escalation of hostilities between the United States and Iran that could be diffi-

ing considered, President

Ronald Reagan said Sunday that he had decided how to respond to Friday's Iranian attack on a U.S.-

tagged tanker in the Gulf, but he

declined to say what the decision

was. Mr. Reagan, returning to the

Missile parts found on an Ira-

nian boat were sent by the U.S. to Afghan rebels. Page 6.

White House from Bethesda Naval Hospital in Maryland, where his

wife, Nancy, is recuperating from

breast cancer surgery, was asked if

he had made a decision on his re-

sponse to the attack, which Washington has blamed on Iran.

ponse to the attack on the tanker,

he Sea Isle City, could be forth-

Kiosk

BERN (AP) - Switzerland

lected a new parliament Sun-

by with early returns indicat-

ing that the four-party govern-

as comfortable majority as the

environmentalist Greens made

Projections based on incom-

plete results from all 23 cantons

suggested no major change in the makeup of the 200-member

National Council, the lower

Karl Lagerfeld's halo ef-

fect, part of his idea-filled ready-to-wear

show in Paris. Page 5.

The Indian Army sent 2,000 more troops into the battle for

Atlanta beat Los Angeles, 24

20, on the final day of NFL

replacement games. Page 17.

A French firm reportedly sent

U.S. machinery improperly to

Special Today

French banking, set on Europe-

an leadership, faces a rough

tide. Special Report, Pages 7-9.

Page 11.

BUSINESS/FINANCE

the Soviet Union.

GENERAL NEWS

the city of Jaffna.

SPORTS

ess headway than expected.

ent coalition will easily retain

Swiss Coalition

Retains Majority

Asked what be had decided, be re-lied: "I can't tell you."

George P. Shultz strongly hinted faunday that a U.S. military re-

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DON

I've made it," he told reporters.

Reagan Won't Disclose

WASHINGTON — Amid that the administration was constrong signs that military action sulting Congress "as we speak,"

in turn, is likely to undermine the U.S. position at the United Nawhere it portrays itself as a broker in the search for an end to from appearances in mid-July,

Domestically, a U.S. military at-tack would be bound to sharpen the Reagan administration's trou-

NEWS ANALYSIS

bles with Congress over the War Powers Act. So far, the Democratic-led Congress has failed to invoke the law, but if applied it could give Congress a potentially decisive role in Gulf pobcy-making.

At the same time, U.S. policyon" to a U.S.-flagged ship hut has hit it with a missile warhead, serimakers face other dangers if they do not take any armed action.

A U.S. decision not to respond would probably raise questions about the seriousness of the commitment to defend U.S.-flagged ships there, about the administration's readiness to run risks to pre-Any perceived loss of neutrality, vent Iran from "bullying" the weak

Howard H. Baker Jr., said Sunday

but be declined to discuss the op-

He also said the attack appeared

Defense Secretary Caspar W.

Iran has neither confirmed nor

See GULF, Page 6

Weinberger was asked in a televi-

to have been directed more at Kurait than at the United States.

tions under consideration.

private Silkworms."

Kuwaiti port of Shuaiba.

rules of engagement, such as Ku-waiti territorial waters. The presumed location of the Silkworm launching site is particu-larly significant. It is at the extreme southern tip of Iraq's Faw Peninsu-la, seized in 1986 and still held by **Decision on Gulf Action**

This situation is far different

vben the U.S. naval escort of U.S.-

Then, the administration seemed

ready to strike back at any Iranian

provocation. The Pentagon let it be

known that a military response could come if Iran took even the

first step toward firing at U.S.-es-corted tanker convoys in the Strait

of Hormuz by "locking on" the passing ships with Silkworm ra-

ously injuring the American cap-

sponse in the Gulf would seem cer-tain to embolden Iran to continue

attacks in the "gray area" where the

administration has yet to clarify its

Now, Iran has not only "locked

flagged Kuwaiti tankers began.

A IIS strike there would aid Iraq militarily and protect Kuwait from further Iranian attacks, two roles the administration has carefully avoided playing so far in the

conflict. Mr. Baker noted that no one had Unlike the five other Arab Gulf states that are partners of Kuwait been killed in the attack on the Sea in the Gulf Cooperation Council, the United States has no formal Isle City. Eighteen crewmen were commitment to defend Knwait and has refused to provide arms to Iraq

or even train its military. Now, however. Arab Gulf rulers and some key congressional leaders are pressing Washington to pass through these thresholds and besion interview if be was certain that Iran had been responsible for the come involved in what Representative Les Aspin, Democrat of Wis-"It was an act of the Iranian government, yes," be replied. "Very few people have their own consin, chairman of the House Armed Services Committee, calls a 'policy of containment" of Iran's revolutionary messianism.

denied that its forces fired the misture of the Iran-Iraq war in the direction of a Gulf military special-Iran bas been blamed for two ist, Anthony H. Cordesman, calls missile attacks against ships off the 'a fundamental duel" between Iran and the United States. On Thursday, a missile hit a su-pertanker owned by a U.S. compa-ny but registered in Liberia. "Neither side can easily afford to

fail," he said in an interview. Administration policy-makers,

See POLICY, Page 6



Iranian Revolutionary Guards demonstrating as four wounded colleagues and the bodies of two others were being returned to Iran. The six were victims of a clash between U.S. and Iranian forces in the Gulf on Oct. 8, in which three of Iran's boats were knocked out.

Baker Minimizes Fall in Shares: 'Steadying' Seen

By Fred Farris

nonal Herald Tribune WASHINGTON - The U.S. Treasury secretary, James A. Baker 3d, on Sunday minimized last week's record plunge in U.S. shares, while a leading Wall Street analysi said he expected "some steadying" of the stock market.

The Treasury secretary also repeated hints made earlier last week that the U.S. administration would let the dollar fall in reaction to recent increases in interest rates in West Germany and Japan.

Mr. Baker agreed with the analyst, Henry Kaufman, chief economist of Salomon Brothers Inc., that U.S. economic fundamentals "are in pretty good shape." However, Mr. Baker declined to predict what the Wall Street markets would do following Friday's 108.35-point fall in the Dow Jones industrial average, to 2,246.74.

The slump was a record in point terms, but the fall of 4.6 percent was far below the 12.9 percent plunge on Oct. 28, 1929, the day of the historic Wall Street crash.

Triggered by disappointing U.S. trade figures for August and the last week, or 9.5 percent, the largest weekly loss since World War II. Mr. Baker, appearing with Mr. Kaufman on a U.S. television inter-

view program, said the market had undergone "a very, very major correction" but noted that the market had stood at a "very, very high level" before it began to decline

"For many months," said Mr. Baker, "people had predicted that the stock market could not continue to go up. . . it nevertheless did. What we've seen is a major, major correction, but we've seen it from a very high level, and we're back now at the level we were as recently as May 21 of this year.

Mr. Kaufman said: "I would suspect after such a sharp decline that we've had in the past week, investors will begin to reassess what bas happened," In a reference to the health of American businesses, he said that the "profit rebound is going to be quite strong."

The influential economist also

said that he doubted that the Federal Reserve Board, the U.S. cen-tral bank, would move within the next four weeks or so to raise its discount rate, the trend-setting rate it charges financial institutions.

With a stable monetary policy, he said, "I would expect some steadying in the market after this very significant move that we've had on both interest rates and the equity markets."

"We tend to forget," Mr. Kaufman said, "that when prices go up we don't consider that as volatility; markets clearly dispute. But more devastating according to Mr. Mar-ris, was the Fed's response to we've had a very significant in-crease in stock prices since the start of this year, indeed since 1982." Mr. Baker hinted about a lower

dollar when asked about a New See STOCKS, Page 13

Message From the Markets: Money Talks

By Carl Gewirtz ernational Herald Tribune PARIS - Money talks.

And last week it was shricking. The message: If governments are unable to reduce the U.S. trade deficit, the markets will.

Financial markets everywbere Such a move would alter the naare in a parlous state. But New York erupted in a paroxysm of dis-illusion after Wednesday's report lion. Although this was less than in July and represented the first narrowing in five months, it was not nearly enough of an improvement to be convincing.

Surprisingly, there was relatively 20 basis points — as money seeking inflation are exaggerated — a view the reaction in the foreign extension in little reaction in the foreign ex-change market. However, many experts anticipate that will change

The dollar has been held in a relatively narrow range since Feb-ruary's agreement among the lead-

NEWS ANALYSIS

ing industrial nations to stabilize that the U.S. merchandise trade currency values. The fact that cendeficit in August was \$15.68 bil- tral banks have spent an estimated \$90 billion in market intervention this year to maintain stability has temporarily left speculators in no mood to eballenge that commit-

> -Instead, investors, bave been dumping bonds — sending yields soaring — in the belief that regardless of what happens in the foreign exchange market, U.S. interest

The bellwether 30-year U.S. Treasury bond hit a yield of 10.36 percent last week, up a buge 43 basis points — or almost half a percentage point — from the previInternational Economics, said that
one week Historically, bond marthe new chairman of the Federal ultimately, are likely to provoke a ous week. Historically, bond mar-kets have registered big moves in Reserve Board, Alan Greenspan. quarter-point increments.

By late Friday, bowever, the ing confidence in the stock market, yield on the 30-year bond was cut

Mr. Greenspan publicly stated to 10.17 percent - a weekly gain of that fears about a new surge in

ties poured into the market. The bond rally was not very con-

vincing, "Intermittent rallies will occur, as some institutional investors may begin to shift some investments from equities to bonds," said Henry Kaufman, chief economist at Salomon Brothers Inc. "But such shifts will not forestall the market trend for long, and will, in any case, only be moderate until the market's fears of mounting inflation and accelerating growth are allayed."

In any event, by the end of the week, long-term U.S. interest rates were up 1.4 percentage points from mid-August and 3 points above the low set in 1986.

The threat of a recession provoked by higher interest rates created havor in the stock market, where prices as measured by the Dow Jones industrial average lost almost 10 percent last week.

Reserve Board, Alan Greenspan. inadvertently contributed to shak-

injecting a buge amount of liquidity into the money market. That was taken as a signal of weakness in the Fed's resolve to keep inflatioo restrained and on Friday the Dow average tumbled a further 108.35 The combined rout in financial

Thursday's sharp 57.61-point de-

cline in the Dow Jones average by

markets sent a shiver of fear throughout the investment commu-nity that the markets may be about to plunge out of control in the absence of a coherent official policy to correct the fundamental prob-

Stepben Marris, an economist at cause politicians are not able to.

Falling bond prices send stock

See MARKETS, Page 13

MONDAY O&A

"What we're witoessing," said Rimmer de Vries, economist at Morgan Guaranty Trust in New York, "is markets imposing an adjustment on the trade deficit be-

sustained attack on the U.S. currency, as foreign investors dump their dollar assets. There is considerable doubt that the Bank of Ja-

Robert R. Prechter, a noted Wall Street forecaster, still is bullish about stocks. Page 13.

Crispen, her press secretary, said Mrs. Reagan elected to undergo the

more extensive procedure because

"it was the most positive way to get

woman might chose mastectomy

even for a small tumor. For exam-

ple, some women treated with a

lumpectomy, the removal of the

tumor and some nearby tissue, are

There are several teasons why a

it all over with."

oming soon. After a meeting with King Fahd Saudi Arabia, Mr. Shultz said at **U.S. Wants** ernews conference that the United states was deliberating the missile stack, which occurred in Kuwaiti Paters. Mr. Shultz declined to speculate Arms Tests bout what action the United ithen it might come. But he con-firmed Iran's "unacceptable be-savior" and "open bostility toward the Gulf states" such as Kuwait and Saudi Arabia. Despite Pact

New York Times Service

Mr. Reagan's chief of staff, States remains deeply committed to the explosive testing of nuclear weapons despite its recent agreement with the Soviet Union to negotiate an eventual total ban on nuclear blasts, government scien-

> control experts favoring a test ban, say the policy calls into question the Reagan administration's sin-cerity in the negotiations, which are scheduled to start before Dec. 1.

a test ban is a worthy goal that might be achieved in the 21st cen-

But they also insist that testing will be needed as far into the future as they can now see, to gauge the reliability of aging nuclear weap-ons, to fashion new warheads and to create exotic new arms for President Ronald Reagan's plan for a defense against attacking missiles.

At least three types of such devices for the Strategic Defense Initiative have advanced to the point of explosive testing at the government's nuclear test site in Nevada.

Underscoring the strong desire of many officials to continue testing, a senior official of the Energy Department, which designs and produces the nation's nuclear war-beads, said in congressional testimony recently that the development and testing of advanced antimissile weapons offered the West a chance to gain superiority over the Soviet Union in an important new phase of military technology.

Critics, however, say that nuclear reliability can be assured without testing and that the search for superiority is futile at best and dangerous in its potential to undermine nuclear stability.

Experts on both sides agree that a test ban would halt nuclear advances. They say the perfection of a new weapon requires a complex process of design, testing and rede-sign. The number of tests needed can range from three or four to a hundred or more, depending on the complexity of the device. So far this year, the United States has announced a dozen nuclear tests at its underground site in Nevada.

"The official government position is that a complete test ban will occur only when there is no longer a need to rely on nuclear weapons for deterrence," said Bernard Halloran of the Arms Control and Disarmament Agency.

Nevertheless, the United States See TEST, Page 6



Spaniard Is Victor at UNESCO

Federico Mayor Zaragoza of Spain on Sunday, a few hours after being nominated to be the next director-general of UNESCO. His victory in a runoff election, after an acrimonious all-night meeting in Paris, ended the 13-year reign of Amadou Mahtar M'Bow of Senegal. Page 2.

By Gina Kolata

gan and her doctors chose to remove ber entire left breast despite a variety of recent findings that lessextreme surgery is as effective for small breast tumors such as bers. Experts said there is convincing

evidence that, for such small noninvasive cancers, a modified radical mastectomy, in which the breast and one of the chest muscles are removed, gives no better chances of survival than simply removing the lesion, with or without radiation therapy. The first large study to establish this was published in 1985 and other studies have since confirmed the finding.

Mrs. Reagan's decision "set us back 10 years," said Rose Kushner, executive director of the Breast Cancer Advisory Center in Ken-sington, Maryland, a group that counsels women with breast cancer and lobbies for increased federal support for diagnosis and treat-ment. "I'm not recommending that anyone do it her way."

One out of tt women will devel-

New York Times Service WASHINGTON—Nancy Reawash her doctors chose to reComplete Recovery Expected

Nancy Reagan's Mastectomy Is Criticized

By David Hoffman Washington Post Service WASHINGTON - Surgeons at Bethesda Naval Hospital bave removed Nancy Reagan's left breast after discovering a small cancerous tumor, and doctors said Sunday they expected a complete recovery for her.

Dr. John Hutton, the White House physician, issued a statement on Mrs. Reagan's condition, saying that "no further treatment is expected, other than normal routine examinations." The White House said the operation, which was performed Satur-

day, was done without complications and tests showed that the cancer "She feels just fine," President Ronald Reagan said as be returned

Saturday to the White House after visiting his wife. "Everything was like that," be said, flashing an "O.K." sign with his band. According to Mrs. Reagan's spokeswoman, Elaine Crispen, the

See NANCY, Page 6

ing cause of death for women. Al- other women. though Mrs. Reagan's decision was

op breast cancer, the second lead- think her decision may influence

Neither Mrs. Reagan, 66, nor ber a private matter, her choice has doctors offered a public explanacaused some concern among breast tion for her decision to have a mascancer specialists and others who rectomy, according to a White

also given radiation treatments. Although there are seldom any serious side effects associated with ra-diation treatment for breast cancer. doctors say there is a widespread fear of possible side effects, such as loss of bair, involved in more inten-

Also, for women with small breasts, removal of a lump and nearby tissue might be almost as disfiguring as removal of the breast

sive forms of radiation therapy.

Doctors described Mrs. Reagan's tumor as "noninvasive" in that it had not spread past the milk duct, where it formed, into other

Cancer specialists also expressed concern because Mrs. Reagan bad her mastecromy immediately after a biopsy confirmed the malignancy. "Most who are really knowledgeable would view this as wrong," said one specialist who asked not to be identified. He said doctors cannot be certain from a quick look at slices of frozen cells that the tumor had not spread in

the breast. To be certain, pathologists must carefully examine all the tumor tissue, including cells at the edges of the tumor, a process that takes several days. And, experts said, if the tumor is invasive, having spread beyond the milk duct, pathologists could perform a number of other diagnostic tests to determine bow fast it is growing and whether it would respond to hormonal thera-

Mrs. Kushner said she was concerned that other women would also select modified radical mastectomies because Mrs. Reagan did so. "Women will hear that this is what what I want." she said.

Rising Out of the Patch, the Heavyweight Pumpkins

contest was held last week on a basketball court in Ashby-de-la-Zouch, and the winning entry, from Canada, weighed only 408 pounds while Japan, competing for the first time, came in second with 327 pounds. The United States was third with 313.7

pounds, small potatoes indeed after the world record last year by a New Jersey farmer, Robert Gancarz, whose pumpkin weighed 671 pounds, or 305 kilograms. It had a circumference of 12 feet 11 inches (3.9 meters), and 12 men were required to move it from the forklift to the scale.

There is no point in pretending that this year's contest had last year's thrills. Unwins, the seed manufacturer that sponsors the British competition with Garden News magazine, referred in a press release to the shocking growing conditions this summer, and Pam Deschamps of Garden News warned that although competing pumpkins might to read about a 107-inch-long carrot, a 17-

MARY BLUME

Francisco, where they will celebrate Halloween together.

For generations in the north of England, dour types in flat caps have grown giant leeks and other subterranean vegetables, feeding them with revolting brews of dried blood and flat lager, competing fiercely, indulging in occasional sabotage of rival entries and in

general living out the Duc de Sully's view that the English take their pleasures sadly. It has become an autumn rite throughout the country to see such headlines as Pumpkin Beater" or "Gourd Almighty" and

ticultural Society bolds its Autumn Fruit and Vegetable Competition and the Late Apple and Pear Competition in which excessive size not only is discouraged but also is penalized, Amateurs who do not employ a gardener more than one day a week."

Pumpkin growing, now in its pre-Halloween paroxysm, is the most exhibitionistic of all fruit and vegetable competitions, perhaps because it is not native to Britain. The first giant-pumpkin grower is said to bave been William Warnock of Goodrich, Ontario, who sent a 400-pounder to the 1900 Paris International Exposition.

The most colorful figure on the pumpkin

a cool £12,000.

"To be bonest. I'm only in it for the money," Stephen said over a dish of trifle. His mum also makes an excellent bread pudding. "I thought they can be growing while I'm working, and I'll just come home and there are classes "open only to those and give them a drop of water and I'll be 12 grand richer."

"But I was a bit over-optimistic." he said. The pumpkin he grew for the contest last year weighed a puny 50 pounds.

But what made his pumpkin interesting was that it was the first in the competition to be grown bydroponically, without soil, and fed by liquid nutrients. Hydroponics is the coming thing in agriculture, but no one had was recommended for the presithought of applying it to giant pumpkins dent's wife and will say, 'This is

See PUMPKINS, Page 6

swell because of plentiful rain, lack of sun could fatally cause them to split.

The happiest British contestant was Linda

Time 's agricultural correspondent, the on-International Herald Tribune LONDON - The annual giant pumpkin Withers, 29, from Lincolnshire with a 248.2- ion was "a monstrous bulb grown in the pounder that won her a cash prize of £200 garden of a Scottisb council house," and it that the prize for growing a world-beater was and a trip for two. plus pumpkin, to San weighed 6 pounds 71/2 ounces.) At the same season, the classy Royal Hor-

Spaniard Wins at UNESCO, Ending the Reign of M'Bow

By Barry James ternational Herald Tribune

PARIS - After an acrimonious all-night conclave, Federico Mayor Zaragoza, a Spanish biochemist, was nominated Sunday as directorgeneral of the United Nations Educational, Scientific and Cultural Organization, ending the 13-year reign of Amadou Mahtar M'Bow.

Mr. M'Bow, a 66-year-old Senegalese, said Western countries had blackmailed him into abandoning his quest for a third term.

The United States, which with-drew from UNESCO in 1984 in protest over what it said was Mr. M'Bow's mismanagement and the organization's anti-Western bias, said Sunday that it had no immediate plans to rejoin.

"We have no reason to reconsider," said the State Department spokesman, Charles E. Redman. Britain, which withdrew with Singapore at the end of 1985, made

But Mr. Mayor's nomination al other Western nations that had threatened to leave in the event of

utive board, including the four controlled by the Soviet Union, formerly ooe of Mr. M'Bow's staunchest supporters.

election with as much support as he entered it oearly two weeks ago. His African, Arab and other Third World backers voted against Mr. Mayor. "They are very bitter and extremely offended by threats by Western members to pull out," said a European member of the execu-

The executive board's nominanon now has to be approved by

U.S. Plans to Tell China Of Displeasure on Tibet

By Elaine Sciolino

New York Times Service WASHINGTON - Some U.S. officials have concluded that they may oot have reacted strongly enough in China's crackdown on recent unrest in Tibet. They say they are now trying to determine the most effective way to express the Reagan administration's growing displeasure with China over Ti-

These officials concede that, in trying not to irritate the Chinese authorioes, the United States did not stand firmly enough behind its policy of promoting human rights worldwide. China has accused the United States of interfering in its internal affairs and threatened that continued emphasis on Tibet would damage relations.

Senior State Department officials held what were described as "serious discussions" last week on the issue of rights in Tibet,

The Chinese, according to some reports, are continuing their crackdown in Tibet against Buddhist monks and Tibetans who are seeking independence for the autonomous province

The monks have led three major demonstrations since Sept. 27, in which at least 14 persons were killed. Foreign journalists have been expelled from Tibet.

In the last few days, tourists have reported dozens of arrests in nighttime raids by policemen carrying automatic weapons as they swept through the Tibetan capital, Lhasa, in trucks in a show of force.

Officials in Washingtoo said they were seeking a way to express displeasure that would not offend China unnecessarily and would assure it that the United States has oo intendon of upsetting China's secu-

rity arrangements on its border. The discussions last week, which were oot conclusive, were prompted in large part by sharp criocism

Emergency Rule in Turkey

The Associated Press ANKARA - The Turkish parliament has approved a government proposal extending emergency rule in nine districts. The areas affected include the city of Islanbul and the southeast provinces of Bingol, Diyarbakir, Elazig, Hakkari, Mardin, Siirt, Tunceli and Van, where government troops and Kurdish guerrillas seeking autonomy have been fighting since 1984. rejoining the organization until it has been fundamentally changed.

Mr. M'Bow's re-election.

Mr. M'Bow left the five-round

from lawmakers of both parties. They argued that the United States was slow to promote the cause of

Tibetan independence and that of-

ficial messages deploring the recent violence were ineffective, the offi-"We're talking about a lot of ways we can make our views crystal clear on what we believe in and stand for," a State Department of-ficial said. "Maybe our position wasn't understood as well as it

■ Deng Assails Americans Edward A. Gargan of The New

York Times reported from Beijing: Accusing several U.S. congress men of "ignorance and arrogance," Deng Xiaoping, the senior Chinese leader, lashed out Friday at their sympathy for Tibetan protesters.

The comments were the first that Mr. Deng has made publicly on the protests in Tibet. The Chinese government said

headed by Representative Tom Lantos, Democrat of California, the co-chairman of the Congressional Human Rights Caucus, would not be permitted to visit Tibet as the group had proposed.
"The Dalai Lama and a few U.S.

congressmen have created a little bit of trouble for us, but this will not affect our overall good situation," Mr. Deng was quoted as saying by the official Xinhua news agency. "On the contrary, all this has revealed their ignorance and arrogance, and exposed their true

Mr. Deng's remarks were made to Franz-Josef Stranss, the Bavarian state premier.

The Dalai Lama, the highest living Buddha in the Tibetan religion, went into exile in India in 1959 bellion intended to free Tibet from

China's control Although the Chinese leader did not name any of the U.S. congressmen, several announced Wednesday that they intended to visit Tibet to assess the human rights

But a Foreign Ministry spokes-man said in a statement: "Matters concerning Tibet are the internal affairs of China in which the U.S. Congress has no right to meddle."
A diplomat at the U.S. Embassy,
who asked not to be identified, said a refusal by China of visas to the members of Congress would be

no official comment, but it has also UNESCO's general conference on indicated that it will not consider Nov. 7, and diplomats said there remained a possibility that Mr. Mayor could be dropped in favor of a candidate better placed to heal forestalled the withdrawal of sever- the North-South breach in the or-

ganization. Mr. M'Bow, who was officially backed by the Organization for Af-Mr. Mayor, 53, received 30 votes rican Unity, told the board by letfrom UNESCO's 50-member execter that be no longer wanted to he a candidate. He said nations opposing him "had not hesitated to resort to blackmail and disinformation as well as pressures and threats of all

> He said those nations "have perverted and corrupted the democratic process of the election" by threatening to withdraw or not make their financial contributions if he were nominated.

Mr. M'Bow led the first four rounds of voting, but could not obtain the occessary majority of 26. The fifth vote was a runoff between the two leading candidates.

The crucial element in Mr. Mayor's victory was the Soviet Union's decision to support the Spaniard. In the first four rounds, Moscow voted for Nikolai Todorov, a Bulgarian historian.

The Russians appear to have abandoned Mr. M Bow in an effort to save UNESCO. The withdrawal of the United States and Britain cost the organization one-third of its budget, which is down to \$145 million annually, and the departure of other countries would have been deeply damaging to its finances and its universality.

The Soviet decision came amid a general recasting of Moscow's UN policies. Last week, the Russians announced they would pay overdue UN bills, including \$197 million for peacekeeping operations they

have long opposed. Mikhail S. Gorbachev, the Soviet leader, has spoken of invigorating the UN Security Council and World Court, of using peacekeeping forces in regional conflicts and of setting up a UN tribunal on terrorism.

Because of congressional opposi-tion, the United States owes \$414 million in UN dues, including \$61 million for peacekeeping units, Last week, Laura Genero, the State Department official in charge that a delegation of lawmakers of relations with international or-

ganizations, said it was impossible to say whether there would be any money for the United States to rejoin UNESCO at some time in the future. She said Washington would consider rejoining only when it saw evidence of fundamental change, including a measure to-give major donors greater weight in how the budget is spent and the depolitici-zation of UNESCO programs.

In leaving UNESCO, the United States and Britain complained about what they said was automat-ic Communist and Third World bias against the West, "We never said that M'Bow specifically was the problem," said Mr. Redman, the State Department spokesman.

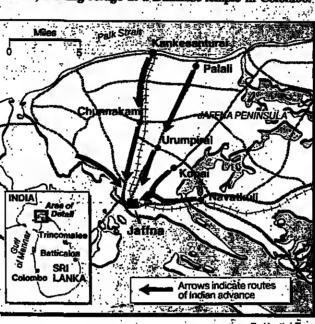
Nevertheless, Mr. M'Bow, the first African to bead a major UN organization, attracted criticism

For some delegates who supported Mr. Mayor, his strongest attribute was that he was not Mr. M'Bow. He was earlier a deputy director-general of UNESCO and personal adviser to Mr. M'Bow as well as education minister of Spain for a brief period.

Mr. Mayor said he did not represent any poliocal grouping. "I am an independent and a professional," he said. In a bid to reassure the countries that supported Mr. M'Bow, he said, "My first concern is with development, particularly in



A Sri Lankan mother and her child who fled fighting near Jaffna, seeking refuge at a Buddhist temple in Colombo.



The Kabul radio said 15 leading associates of Mr. Karmal, includ ing a half-brother, Mohammed Baryalai, lost their posts in the party Central Committee on Saturday. Western diplomats in Islamabad said the purge seemed intended to allow a further relaxation of communist-style policies pursued un-der Mr. Karmal and to make the

party more broadly acceptable.

The announcement Saturday was in line with General Najib's drive to end the nine-year-old guerrilla war by wooing rebels into a

timated by the West at 115,000. more than 500 noncombatants
In another development an Afghan peace settlement was being destroyed by tanks.

The Indians will not estimate the Hammer, the American business-man, arrived Saturday for talks with President Mohammed Zia ul-

■ U.S. Said to Send Mules The Central Intelligence Agency is believed to be airlifting inules from Texas to Afghan guerrillas because of a shortage of pack mules after an epidemic earlier this year. The Observer newspaper reported Sunday in London.

India Sends

To Northern Sri Lanka

By Barbara Crossette New York Times Service COLOMBO, Sri Lanka ... India said Sunday that it was reinforcing its forces fighting Tamil guerrillas in the Jaffna Peninsula by 2,000

roops.
The reinforcements would raise to 8,000 the official number of Indians battling 2,000 Tamil separatists who have been holding off the Indian Army in house to-house fighting for more than a week.

[Indian troops have captured the headquarters of Sri Lanka's main Tamil rebel faction outside the city of Jaffna, the state-owned All India Radio said Sunday as reported by Renters in New Delhi.

[The report said a large quantity of arms and ammunition had been sezzed at the headquarters of the Liberation Tigers of Tamil Eclam, which is at Kopai on the outskirts of Jaffna. It gave no further de-

tails.]
Officially, India says it has 14,000 troops in Sri Lanka's north and east, but unofficial estimates in Colombo and New Delhi put the figure at 20,000 to 25,000. While the Indian units are dispersed with large contingents in the eastern ports of Trincomales and Batticales the processor of the continuous of the continuous c loa, the majority of the guerrilla forces are thought to be in Jaffina. A spokeswoman for the Indian High Commission in Colombo said that the reinforcements were arriv ing as Indian troops face intense combat around the city of Jaffina, controlled by the guerrillas. The

Indians have been fighting their way into the city for mine days.

More than 100 Indians and at least 525 guernillas are reported by the Indians to have died, with immdreds wounded on both sides.
The Indians, who are in Sri Lanka to disarm the guerrillas imder terms of an agreement signed by India and Sr Lanka-in July are being attacked from behind their

being attacked from beinnd their advancing lines, the spokeswoman said Sunday.

The guerrillas are also "micres-ingly using civilians as shields, the spokeswoman said. She said that columns of civilians, including women and children, were blocking the movement of armored person-

nel carriers.

The simplest thing would be to raze the whole place to the ground, the spokeswoman said. But she said that Indian forces had

civilian casualty toll, and independent investigations are not possi-ble. Reporters have been barred

from traveling to Jaffna. A team of 32 Indian Red Cross officials are in Jaffina to study how to distribute food to the remaining population, the Indian spokes-woman said. She also said that ships with food and other supplies would be arriving from the indian city of Medice on Mender. city of Madras on Monday.

WORLD BRIEFS

More Troops Armenian Protest Is Reported Foiled

MOSCOW (AP) — The police in the Armenian capital of Yesevan, broke up a protest by at least 1,000 people on Sunday, the second day of public demonstrations in the small Soviet republic bordering Turkey,

Sunday's demonstration was in support of Armenian national rights in the village of Chardakhlu io Soviet Azerbaidzhan, said a dissident, Valery Moscow dissident sources reported.

Senderov, who learned of the protest from sources in Yerevan.

On Saturday, at least 3,000 people marched in Yerevan to demand the closing of a polluting chemical plant and a nuclear power station, according to other sources in Moscow.

Manila Reports Foiling a Coup Plot MANILA (AP) — Officials said they foiled a coup plot on Sunday

after mutineers stole an armored personnel carrier from army headquarters but abandoned it near President Corazon C. Aquino's residence. Pro-government troops and tanks were deployed around the presidential palace, but there were no reports of other incidents. It appeared the theft of the personnel carrier might have been a ploy by the rebels to test security and embarrass loyal military commanders.

More than 20 foreign and Philippine reporters had assembled at the campus of Santo Torrest University after receiving a single than the

campus of Santo Tomas University after receiving a tip that they might he taken to a press conference by mutinous officers. Instead, they watched as the personnel carrier drove around the campus before the six-man crew abandoned it. Inside the vehicle, loyal troops found a banner of the mutineer "Guardians" faction.

U.K. Weather Office Orders Probe

LONDON (Reuters) - The Meteorological Office has ordered an

inquiry into whether it should have given an earlier warning of Britain's worst storm in 300 years, which killed at least 13 persons.

The Meteorological Office warned of how intense the storm would be just a few hours before hurricane-force winds began whipping across just a few hours before hurricane-force winds began whipping across southern England early Friday, causing millions of dollars worth of damage. The storm also caused at least six deaths and widespread

damage. The storm also tailed at damage in northern France, Spain and Portugal.

"We will go back to the data available at the time to see whether we could have predicted it," a spokesman for the Meteorological Office said. "Preliminary results indicate that it happened so quickly that we did the best we could in the circumstances." He declined to comment on reports in British newspapers that forecasters in France and the Netherlands were able to issue earlier storm warnings based largely on the same information available to British meteorologists.

Ozal Wins Fight for Early Election

ANKARA (Reuters) — Prime Minister Turgut Ozal has won a crucial parliamentary struggle for an early general election, but the vote failed to end Turkey's worst political crisis since 1980.

"We have just saved the country from the brink of turmoil," Mr. Ozaltold his conservative Motherland Party when the law for a Nov. 29 post was passed Saturday after a mass opposition walkout. Only 20 of the 131

opposition members of the 400-seat parliament were present for the show of hands after a bitter debate that underlined the deep political divisions that have haunted Turkish politics for nearly three decades.

The new election law must be ratified by President Kenan Evren, who as the army chief led Turkey's third military coup in 20 years to end political chaos in 1980. Political sources said Mr. Ozal was still widely president to wis the election. The course wingster had accused conscious. expected to win the election. The prime minister had accused opposition parties of seeking a delay in the voting until next year because they were lagging badly in public opinion polls.

16 to Die for Sierra Leone Coup Plot

FREETOWN, Sierra Leone (Reuters) — Sixteen persons, including former Vice President Francis Misheck Minah, have been sentenced to death for plotting in March to overthrow the president, Major General Joseph Saidu Momoh.

Four of those sentenced Saturday were found guilty of the murder of a paramilitary forces driver killed in uprising. Those convicted have 21 days to appeal, court sources said.

Afghan Leader Tightens Grip

By Ousing Karnal Backers

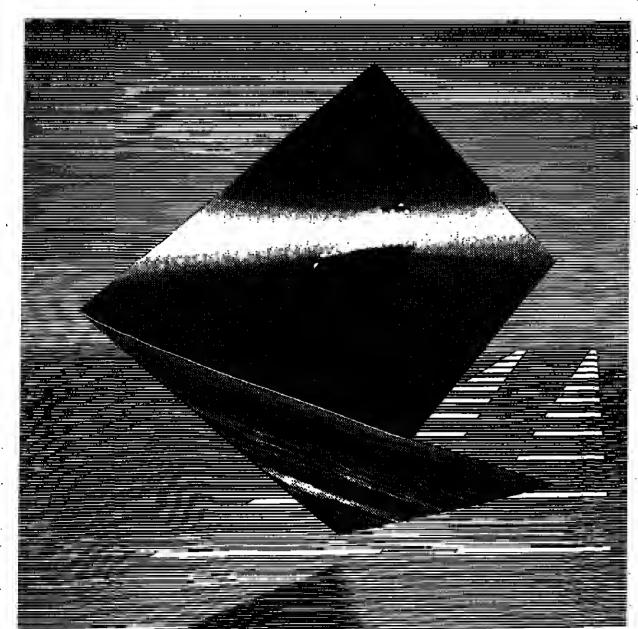
Resistan—The Asked how mich of the Juffin Peninsula was firmly in Indian control, the spokesyonant repole in the milion proper solution and perinsulation and perinsulation and perinsulation for the milion proper solution and perinsulation for the milion proper solution and perinsulation and perinsu

BEIJING (AP)—Chinese national airlines will add 10 Soviet Tupolev-154m passenger planes to their fleet next year, the official China Daily newspaper saids anday.

The newspaper said the General Administration of Civil Aviation of China is to pay about 320 million yuan (\$36 million) for the planes, which hold 164 passengers. China's five airlines, which flew 10 million passengers last year, also use Boeing, McDonnell Douglas and Airbus planes.

Correction

An article in the Saturday-Sunday editions of the International Herald Inbune incorrectly reported the position of Gisèle Halimi, the former French representative to the executive board of UNESCO. She resigned to protest her government's decision to support Foreign Minister Sahabzada Yaqub Khan of Pakistan for director-general of the organization.



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I really love clean sheets, good

food and good wine," said Mr.

Harringtoo. "Anyone who doesn't is a nut."

said as the House Subcommittee

on Aviation opened hearings on

airline flights: "The proper ques-

tion to his neighbor when a per-

'Do you mind if I smoke?' but 'Do

Senator Daniel Patrick Moyni-han says he is tired of heavily

you mind if we smoke?"

D BRIEFS Flowered Borders

Foiling a Coupl

Office Orders Phol

tor Lloyd Bentsen of Texas guided a bill through Coogress requiring that 25 cents of every \$100 in federal highway funds be used to plant native wildflowers. wildflowers are growing along the roadside, "you don't have to mow once a week." He said that instead you mow one or two times a season," and "you also find that people don't throw as much lit-

> All but four states — Hawaii, Montana, Nevada and Utah have some form of native-growth program. The federal measure be obtained if a state certifies that native wildflowers cannot be grown satisfactorily, that there is a scarcity of planting areas or that they are to be used for farming.

For U.S. Highways

Native wildflowers are to be

sown along federal-aid highways throughout the United States.

Texas has been doing it for 50 years, and Lady Bird Johnson, a Texan, made the practice popular

during the presidency of her husband, Lyndon B. Johnson, Sena-

Mr. Bentsen says that when

Short Takes

Documents discovered during a \$1.7 million restoration of Abraham Lincoln's home in Springfield, Illinois, apparently date from his days as a congressman in the 1840s, according to Francis Krupka, historical architect on the project. The documents, found in a kitchen wall, included part of an envelope addressed and signed by Lincoln, four letters to Lincoln and a printed anti-slavery speech. They will go on display at the residence. "It's not all that often," said Mr. Krupka, "that original Lincoln documents pop up out of the woodwork, literal-

Rubella, or German measles. reached an all-time low of 551 cases in the United States last year, down 99 percent from the advent of the rubella vaccine in 1969, according to federal figures. Health officials say eradication of the disease is possible. In this dren, rubella is usually mild, causing fever and rash But when pregnant women catch the disease it can cause miscarriages and severe birth defects.

retail and mail-order outdoor and sporting goods store in Freeport, Maine, take regular business trips to mountains, woods and streams. "For salespeople to talk intelligently" about Bean merchandise, "they should be using it and expe-tiencing the outdoors," said Ed Babino, who runs the outings. "So we get them out there."

AMERICAN TOPICS

For five years in a row more than 90 percent of armed forces recruits have been high school graduates, the Pentagon says. The services' ability to pick o higher caliber of recruit coincides with a steady decline in unemployment, contradicting the theory that unemployment causes young people

When Richard Lindner got mar-ried on a local television show in Fort Lauderdale, Florida, he did not think that his wife would be in the viewing audience. He has been charged with bigamy.

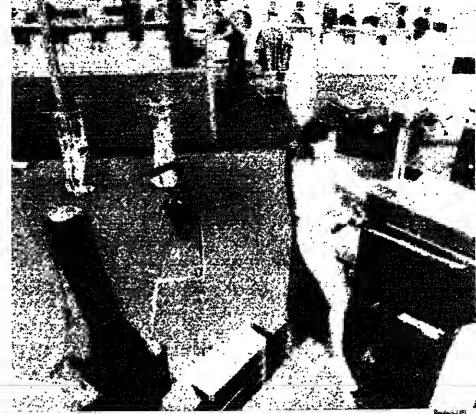
Notes About People

Twenty-five years ago Michael

Sales clerks at the L.L. Bean | Harrington's "The Other Ameri-tail and mail-order outdoor and | ca" made his compatriots more | and police outriders speeding and screeching through Washington and he is sure other people are aware of the poor. It was a subject that Mr. Harrington, who "didn't have a nickel to my name" and too. So the New York Democrat was "sleeping with bedbugs," introduced a resolution in the Senate urging the State Department to restrict foreign dignitaries visiting Capitol Hill to two-car eotourages. The Seoate knew well. The New York Times notes that President John F. Kennedy's advocacy made the book required reading in federal offices. Historians say that more than any other work it inspired approved the measure by voice vote but the State Department is trying to block it in the House of landmark anti-poverty measures, like Medicare and Medicaid. To-Representatives, Mr. Moynihan day, Mr. Harrington, 59, still acsaid Congress is "the representative in the cause of poor people, is tive body of a democratic state and not some besieged citadel of a a prosperous lecturer and writer.

> Jessica McChare, an 18-monthold girl who fell down an aban-doned well shaft in Midland, Texas, was rescued Friday 58 hours after she was trapped. Doctors operated Saturday on her injured Representative James H. Scheuer, Democrat of New York, right foot and said they were hopeful they would not have to amputate it. During her ordeal, laws to prohibit smoking on all her right foot was jammed across and raising a threat of gangrene.
> The girl was freed from the shaft after round-the-clock drilling efforts by teams of rescuers.

-ARTHUR HIGBEE



WASH AND WORK OUT - In a combination launderette-gym in San Diego, Gina Dahl works out on an exercise machine, which was installed to attract more customers.

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with it, the active safety of each and every BMW. You enjoy the unique running refinement and turbine-like smoothness of the sophisticated engines. Equally, a BMW engine doesn't just develop power. It generates confidence. And you only have to look at the flowing, harmonising lines of the car to anticipate the luxurious comfort inside. From every angle, a BMW exudes exclusivity.

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Pag- 1.

CTORER 16. 198

Lights Are Dim and Diplomats Grumble as U.S. Embassies Grapple With Austerity grumble and try to ride out yet another war on spending. But, in the view of diplomats interviewed by Washington Post correspondents in 13 major forcion capitals, essentially major forcion capitals, essentially and try to ride out yet another diplomats at others and, in London, oonal Security Agency where budgets seem to be more bountiful. Soviet diplomatic staff has grown to dered by Congress on subjects such as about 600. In West Germany, when the human rights and labor activities. In Jordan, where only 30 percent of poposition Social Democrat Party held. The embassy in Bonn tried to close the jails from once a month to four times a testing of the U.S. Embassy personnel are State. The London embassy. Which issues the felt his jobs.

By Richard Homan

Washington Post Service
WASHINGTON - Lights have been dimmed in the corridors of the U.S. Embassy in Tokyo, spouses were left off the invitation list for an already down-Aviv have to share newspapers and, in several countries, visiting U.S. diplomats have become involuntary house guests of embassy employees instead of staying in

The cutbacks are part of an effort by cal year, dictated by congressional hud-

viewed by Washington Post correspondents in 13 major foreign capitals, essential tial activities are being jettisoned or severely cut back in moves that are likely sized Fourth of July reception in Cairo, severely cut back in moves that are likely high-ranking American diplomats in Tel to have a long-lasting detrimental effect on U.S. reporting from abroad.

The diplomats said the reductions were being felt especially in areas where the United States is in direct competition with beefed-up Soviet embassies.

Besides the closing of two small emthe State Department to prepare for an anticipated \$84 million shortfall this fispoint out, there have been sharp cutbacks in travel. This has forced U.S. get-shrinking. If it were nothing more than petty harassments like these, diplomats say, they would probably just left them heavily outnumbered by Soviet

Staff reductions have forced many po-litical officers to take on the unfamiliar

a shortage of science and commercial ing itself to outstrip the United States in officers, a diplomat expressed concern prominent regions of the world, that more and more of the traditional

the U.S. Embassy personnel are State Department officials, a diplomat con-tended that "they can't cut more, squeeze this function more, without turning the embassy into a support ser-

duties of economics officers, and vice versa, or even to double up as consular officers, issuing visas and passports.

As a result, many diplomats say they see a shrinking role for the State Department. In India, where the embassy faces a sharege of science and commercial in itself to outstrip the United States.

In India, the world's second most popforeign policy responsibility is being ulous nation, cutbacks have left the shifted to the Defense Department, the United States with 96 professional diplo-Central Intelligence Agency and the Namats and 260 support officials while the

> rebels downed the plane with a Redeye ground-to-air missile and

seized weapons and ammunition

On the ground late last week, the

contras forced the closing of the strategic Rama road, the principal east-west artery. Spokesmen for both sides said coordinated attacks

were under way against several

with us, then the war will contin-ue," said Bosco Matamoros, a

therefore negotiate only with the

Instead of talking with contra eaders, the government has sought

spokesman for the contras, The Sandinist government has maintained that the contras are not an independent force, but a creation of the United States, which supports and finances them. The Sandinists have said they would

"If they don't want to talk peace

from the wreckage.]

towns in the area

United States.

A strong undercurrent in diplomars' discussions of the cuts is a bitterness toward Congress, which continues to impose heavy responsibilities on the em-bassies and whose visiting members, many complain, continue to expect firstclass escort services from missions that they have reduced to second-class size.

reporting," a diplomat in Cairo com-plained, referring to annual reports or a political officer recently paid his own

In London, Ambassador Charles H. telephone and now simply sends form Price 2d said he tried to anticipate the

Mr. Price has frozen the salaries of all from the Chernobyl nuclear disaster. be "mind-bogglingly stupid." sources requires the same amount of the 800 London embassy workers. Offi-

where further ones still rumored would

The embassy in Bonn tried to close the its national convention in Nuremberg. U.S. consulate in Düsseldorf because last year, the Soviet Embassy sent six. Congress provided no funds to operate Bonn-based diplomats. The U.S. Emit, but Congress ordered that it be kept bassy could afford to send only two. open.

A creater of the embassy in Bonn tried to close the because its national convention in Nuremberg. U.S. consulate in Düsseldorf because about 700,000 tourist visas a year, has about 700,000 tourist visas information desk" that answered queries by mation desk" that answered queries by

A blissfully unbothered exception to years ago. It was not enough. He said that the cuts now have reached the point where further ones still rumored mould rity scandals and problems resulting



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A Sandinist, left, and a contra debated politics Saturday at Las Manos on the Honduran border. A fifth "family reunion day" was proclaimed to let families split by war reunite.

position to contacts with contra

"Latin American countries are putting pressure on the Sandinistation modify their position on dialogue," a South American ambassador said. "We are telling them that governments are talking with armed insurgents in Guatemala and El Salvador, and that there is no realistic hope of stopping the war here unless the two sides talk to

Reagan administration officials have said they intend to use the Sandinist refusal to talk to the contras to argue that Nicaragua is not truly interested in peace. They hope this argument will help them win congressional approval for re-oewed military aid to the contras.

Apparently in an effort to show their military strength, the contras have staged several raids in the north in recent days. But the latest attacks along the Rama road, which appeared to be one of the largest cootra operations io months, were far more significant.

The government has closed the area to civilian traffic and has cut telephone and other communications links. Red Cross officials were appealing for blood dona-tions, and ambulatory patients were reportedly being moved out of the hospital in nearby Juigalpa to make room for the wounded.

The area oear the road has been a center of contra activity for years. But the attacks Wednesday were to persuade individual contra field cord, signed in August, requires their own, as they did last week in the most coordinated actions there small combat zones.

According to diplomats in Managua, the Sandinists are being interesting in the country from Honduran peace actions there is their own, as they did last week in the most coordinated actions there is nice large numbers of contrast in the country from Honduran peace actions there is no coordinated actions there is not contrast in the most coordinated actions there is no coordinated actions the most coordinated actions there is no coordinated actions the most coordinated actions there is no coordinated actions the most coordinated actions the most coordinated actions there is no coordinated actions the most coordinated actions the



E CHALLENGEOFTHE 1990's THE EIGHTH ANNUAL INTERNATIONAL HERALD TRIBUNE/

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THE program is designed to assist senior executives in the petroleum industry and related fields to determine their business strategies into the 1990's. William Martin, Deputy Energy Secretary, United States, H.E. Abd al-Hadi Muhammad Kandil, Minister of Petroleum and Mineral Resources, Egypt, H.E. Rilwanu Lukman, Minister of Petroleum Resources, Nigeria, President of the OPEC Conference, H.E. Arme Oien, Minister of Petroleum and Energy. Norway and The Rt. Hon. Cecil Parkinson M.P., Secretary of State for Energy, United Kingdom will head a distinguished group of

energy and financial leaders from around the world. Senior Executives wishing to attend the conference should complete and mail the registration form today.

OCTOBER 22

UNITED STATES' ENERGY POLICY William Martin, Deputy Energy Secretary, United States.

CHALLENGE OF THE 1990's: A CORPORATE VIEW John R. Hall, Chairman and Chief Executive Officer,

Philip Oxley, Chairman, Tenneco Europe Ltd
Nader Sultan, President, Kuwait Petroleum Internations
GLOBAL DEMAND AND SUPPLY: AN OVERVIEW
John H. Lichtblau, President, Petroleum Industry

Research Foundacion. Respondent: Herman T. Franssen, Economic Advisor of

H.E. The Minister of Petroleum and Minerals of the Sultanate

BREAKOUT GROUPS (These three sessions will run concurrency)
NORTH AMERICAN MARKET
Theodore R. Eck, Chief Economist, Amoco Corporation

Milton Lipton, President, W.J. Levy Consultants Corporation
THE EUROPEAN OUTLOOK Gluseppe Sfligiotti, Execunve Vice-President, AGIP SpA Ted White, Managing Director, Petroleum Economita Ltd THE PACIFIC OUTLOOK

Dennis J. O'Brien, Chief Economist, CALTEX Petroleum Corporation

LUNCH

THE OUTLOOK FOR THE UNITED KINGDOM'S PETROLEUM INDUSTRY
The Rt. Hon. Cecil Parkinson M.P.

The Rt. Hon. Cecil Parkinson M.P.,
Secretary of State for Energy, United Kingdom
MARKET FORCES IN CHARGE OF SUPPLY MANAGEMENT
John Deuss, Chairman, Transvorld Oil Ltd.
ENERGY SECURITY AND THE MIDDLE EAST

GEOPOLITICAL OUTLOOK
Charles DiBons, President, The American Petroleum Institute
George Quincey Lumsden, Director, Oil Market Developmen

International Energy Agency
Mehdi Varzi, Senior Analyst, Kleinwort Grievson & Co.
Moderstor: Robert Mabro, Director,

Oxford Institute for Energy Studies.

MINISTERIAL PRESENTATIONS AND DISCUSSIONS
H.E. Rilwanu Lukman, Minister of Petroleum Resources, Nigeria,
President of the OPEC Conference
H.E. Arne Oien, Minister of Petroleum and Energy, Norway
H.E. Abd al-Hadi Muhammad Kandil,
Minister of Petroleum and Mineral Resources, Egypt
Moderator: Hertman T. Franssen, Economic Advisor of
H.E. The Minister of Petroleum and Mineral Resources of the
Sultanate of Onan
THE WORLD ECONOMY RETURN TO NORMAL GROWTH!
Stephen Marris, Senior Fellow, Institute for International

Stephen Marris, Senior Fellow, Institute for International Economics, former Chief Economist, O.E.C.D. Respondent: Timothy Congdon, Chief U.K. Eco

Shearaon Lehman Brothers
BREAKOUT GROUPS (These three sessions will run concurrence)
FINANCING EXPLORATION AND DEVELOPMENT

Jean-Jacques Lacour, Head of Economics Departs Institut Français du Pétrole. David Parker, Managet, Project Finance Unit, National Westminster Bank

THE FINANCIAL HEALTH AND PROFIT PROSPECTS OF THE OIL INDUSTRY Dillard Spriggs, President, Petroleum Analysis Ltd. CHINA: PROSPECTS FOR OIL DEVELOPMENT

EUNCH
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NEW INSTRUMENTS AND MARKETS
R. Hartwell Gardner, Treasurer, Mobil Oil Corporation
Robert B. Weswer, Senior Vice-President,
Global Energy Executive, The Chase Manhattan Bank, N.A.
IMPROMPTU PANEL DISCUSSION Moderator: Nicholas G. Voûte, Oil Consultant, London and The Hague



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The fee is £595 (plus VAT @ 15% £89.25, total £684.25) or the equivalent in a convertible currency for each participant. This includes lunches, a cocktail reception and post-conference documentation. Fees are payable in advance of the conference and will be returned (less £50 administration charge) for any cancellation postmatked on or before October 12. Cancellations postmarked later than October 12 will be charged the full fee. Substitutions may be made at any time.

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By Julia Preston

during the first three months of the Jilma Noriega de Jurado, a relative demonstrations, which began June of the general put the police and demonstrations, which began June of the general put the police and fer to his pitted complexion.

PANAMA CHIV - While Wil.

9. At least six persons were blinded judges on notice that they should liam Wong a travel agent, was driving home from work one recent one or both eyes.

Three Panamanians have been to two years for such infractions as

Suddenly not policemen dragged

Friday in a pro-government newshim from his car, shoved him onto the floor of a paddy wagon and

kicked him for 10 minutes. Mr. Wong, 58; spent the night in jail. After being released, he was rushed to a hospital, where doctors

removed a kidney ruptured in the "It was very bad lock" was his understated comment in a bedside

The incident was an indication that the government, controlled by the military leader. General Mathe military leader, General Manuel Antonio Noriega, has been slowly but firmly tightening its grip to quell coordining ferment in Panama, home of both the strategic mana, home of both the strategic content of the streets in their cars and waved the white flags and handler-that have become their fall-

tary operation in Latin America. an economic slump, is seeking to silence daily street demonstrations with restrictive laws and intimidating harassment.

A recent report by Physicians for Human Rights, an independent group of American doctors, found that more than 1,000 Panamanians suffered significant injuries from bird shot used by the riot police

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General Noriega, in an interview horns."

scendants of Cain and Abel" who had "sold their souls to the devil

trying to reach the seats of power." Just before Mr. Wong's arrest, President Eric Arturo Delvalle, considered a figurehead for General Noriega, made a stem nationally televised speech prohibiting further

The government, blanning the mainly middle-class opposition for an economic slump, is seeking to arresting at least six Panamanians, including Mr. Wong, witnesses

> Nine U.S. servicemen and an American Panama Canal employee were also rounded up by the police in different parts of the city that night and held until morning. The mayor of Panama City.

liant Wong, a travely agent, was driving home from work one recent evening, he got caught up in a horn-tooting car caravan of anti-govern-tooting caractan caravan of anti-govern-tooting caractan caravan of anti-govern-tooting caractan caravan of anti-govern-tooting caractan caravan caravan of anti-govern-tooting caractan caravan caractan caravan caractan caravan caractan caravan caractan caravan ca

rinday in a pro-government newspaper, said he was defending the country against a policy of "economic aggression" by the United States.

He labeled the opposition "descendants of Cain and Abel" who

The government's actions have picked up pace with the approach of Thursday, when the opposition has scheduled a major march and general strike. Wholesalers who have sold paper

to the opposition for leaflets re-ceived police warnings that they could not sell more than a ream at a time, one stationery storekeeper

. Last week the government sent the National Assembly a proposal for a new press law.

It prohibits printing any text that "offends the dignity" of General Noriega or anyone in government; bars "adulterated" economic news and any article that is "an apology for foreign intervention," and forbids not giving a source's name.

"The only clause this law doesn't have is the one outlawing use of the words 'pineapple face,' said a Christian Democratic legislator, Willie Cochez. That term is used by

ise Tightens on Opposition in Panama

In fact, the proposal does include an article prohibiting references to "physical defects" of government.

Mr. Delvaile has indicated that once the law is passed, the govern-ment will allow the opposition

AIDS Test in Trial

New York Times Service NEW YORK — A U.S. Army appellate court has ruled that resuits of a test for the AIDS virus may he used to help prosecute a soldier who is accused of having

sexual relations with three people after learning that he was injected. The court-martial, at Fort Huachuca, Arizona, has been suspended since August while the particular awaited the appeals ruling. The defendant in the case is Private First Class Adrian Morris Jr., 27, a clerk at Fort Huachuca who is believed to be the first person ever prosecuted for aggravated assault on charges of having unprotected sexsaid a ual relations after learning that he was carrying the virus for acquired immune deficiency syndrome.

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Prime Minister Margaret Thatcher of Britain, with her foreign secretary, Sir Geoffrey Howe, displaying a docu-ment at the Commonwealth conference in Vancouver.

Britain, Commonwealth Clash Over South Africa

By John F. Burns

New York Times Service

VANCOUVER, British Columbia — Outbursts by fellow Commonwealth, including Prime Minister Brian Mulroney of Canada and Prime Minister David Lange of New Zealand, Mr. Hawke alled the commentaries by British officials "abortine by British and Canada and Prime Minister David Lange of New Zealand, Mr. Hawke called the commentaries by British officials "abortine by British officials" abortine by British the 47-nation Commonwealth con-officials "abominably untrue."

sanctions against South Africa, and have had little practical effect on the maintained her position that those already adopted by Britain they have tended to deprive blacks and other Commonwealth members are more likely to retard than they have stiffened the resolve of advance the end of apartheid.

She also refused to join other Commonwealth nations Saturday of apartheid should seek to make in an effort to monitor the enforcement of those sanctions.

conference that affirmed the need breaking down racial barriers. for wider, tighter, and more intenthe Commonwealth measures, and stroy? she said in a television in-those adopted by the United States and the group of Nordic countries, are adopted worldwide.

But the sections of the statement ment ties with South Africa.

After the statement was released, a group that included Prime Minister Rajiv Gandhi of India, Prime Minister Bob Hawke of Australia, President Kenneth Kaunda of Zambia and Prime Minister Robert Mugabe of Zimbabwe assailed

Mrs. Thatcher for her stand. Although Britain has been at

at these gatherings. I am completely disillusioned, and dismayed," Mr. Mugabe said, referring to the disparagement of tones, offered by Mrs. Thatcher and British officials to reporters during the five-day conference.

ference here.

As expected, Mrs. Thatcher refused to endorse any new economic Commonwealth and other nations

many whites to resist racial reform.

Mrs. Thatcher said that the foes cause economic growth had proven The result was a statement by the to be the most effective way of

"It's a curious social barometer. sified application" of sanctions by isn't it, to measure progress by the all nations, and an effort to see that millions of jobs that you can de-

monwealth have included bans on loans to the South African governdealing with sanctions included an ment and on purchases by South explicit dissent by Britain, which African government institutions, a has the largest trade and invest- prohibition on new investments and the rupture of air links. In addition, there have been embargoes on exports to South Africa of computer equipment, nuclear tech-nology and oil, and restraints on imports of certain South African products, including food products, coal, uranium and steel,

Almost overlooked was a commitment by the Commonwealth odds with its Commonwealth part- nations to increase aid to six black ners over South Africa before, the African states, South Africa's vehemence of the criticism went neighbors, which have accused Prebeyond what has been customary toria of sabotaging their economies and transportation links.

The government leaders undertook to concentrate on the rebuilding and protection of transportacommunications links,

Rebel Cleric Avant-Gardists Dominate Paris Ready-to-Wear

May Regain

Legal Status,

Vatican Says

By Roberto Suro

New York Times Service
ROME — The Vatican has an-

nounced plans to restore legal standing to a rebel French arch-

bishop and his outlawed following

of traditionalist priests, in a move to mend fences with one of its most

to mean tences with one of its most vociferons critics.

The French archbishop, Marcel Lefebvre, who rejects the changes of the Second Valican Council and

who has accused Pope John Paul II of "blasphemy," spent an hour Saturday morning with the pope's primary exponent of orthodoxy, Cardinal Joseph Ratzinger.

Afterward, the Vatican announced that John Paul would apnoint a personal representative to

point a personal representative to investigate the archbishop's priest-

ly order and establish new regula-

The Vatican said the talks with

Cardinal Ratzinger, prefect of the Sacred Congregation for the Doc-tine of the Faith, the Vatican theo-

logical watchdog, had taken place

"in a climate of communion."

There was no indication of whether Archbishop Lefebyre had

agreed to modify any of his posi-tions, which have caused some in the Vatican to consider him a very

Negotiations leading up to the action Saturday began earlier this year after the archbishop threat-ened to ordain several bishops

without Vatican approval, the most severe form of rebellion in the Ro-

man Catholic Church. The pope, according to Vatican officials, was

anxious to avoid this because

church law would have required him to excommunicate the archishop and formalize a schism, an outright break, with the archbishop's followers.

Archbishop Lefebvre has be-come something of a hero to some highly traditional Catholics, espe-

cially in Europe, because he and his followers insist on saying the Mass in the old Latin form. He has also

rejected the church's modern teach-

ings on religious liberty, which were codified more than 20 years

ago by the Second Varican Council.

dangerous dissident.

ons for it.

of ready-to-wear openings over the weekend. The avant-gardists have dominated the runways in the tents at the Louvre and other locations

nent cut right technical with paths, paired with wide-leg trousers. Five thousand of his fans traveled to former slaughterhouse district of skirts for so many years he is bored

Jean-Paul Gaultier is a promi-nent cult figure credited with lead-

tops of some of his jackets have disappeared. Instead, a scarf is draped around the shoulders, or the cuffed neckline of the T-shirt inside the jacket is pulled over the rim. You have to see it to believe it. Another breakthrough is the jacket that ends in pants, like a leotard.

The bare-shoulder jacket is



Karl Lagerfeld's updated 18th-century ball gown in navy organdy, with a corselette like that of Marie Antoinette.

That's the good news. The bad news is that the Gaultier obsession with underwear, especially girdles and bras, continues. Jackets and jumpsuits have padded bra tops. A ringer for a high waisted girdle serves as a skirt with a denim jacket and dresses mimic old-fashioned consets with lacings at the back or

can Arts near Vincennes for verisimilitude. There was so much action nobody paid much attention to the clothes. Iman, the splendid manne-quin, tried to lead a reluctant tiger cub down the runway. The tiger balked, but Iman eventually won. Who knows what she wore? Something short in creamy leather with a lot of matching horsehair. Then there was the group of bare-chested men and women in loincloths? Are

loincloths coming back?

What about the African look Well, there were tree-back mints, miles of gold bangles running up the arms and neck, and a safari

jacket or two.

Never mind the specifics. People will be talking about the performance for a long time.

Claude Montana, whose shows once recalled the Ziegfeld Follies, now concentrates on clothes. His collection is filled with meltingly pretty colors - pale rose, aqua, chartrense and shades of blue look girlish and decorative in cotton poplin and smooth leather. Jackets are often long and skirts are very short. The skirt seems to be withering away. Montana often replaces it with shorts. Navy shorts and white blouses make an attractive group of styles. Short matching gloves turn up with most outlits. A mysterious touch is the pouch-like protrusions in the front of jack-

skirts. Some observers felt they were there to carry mad money or groceries, but there's probably a Once filled with aggressive tailored clothes, the Montana collec-tion is now soft and decorative. It is

ets and at the waistlines of some

By Bernadine Morris

New York These Service

PARIS — Jackets are losing their shoulders, bosons are popping out of deep decolletages and long gloves and hats are returning to fashion. These are some of the trends emerging for next spring and summer from the full schedule of ready-to-wear openings over the disappeared. Instead, a scari is of some of his jackets have and obviously they have of ready-to-wear openings over the disappeared. Instead, a scari is of some of his jackets have and beautiful collection of disappeared. Instead, a scari is of some of his jackets have some relatively conventional jackets shaped with hourglass curves. He started this floor pieces that ranges from skining contemporary looking knitted designs need not be appeared. Instead, a scari is one of his pieces has taken them now that the rest of the pleasantest collections to be shown so far, if you're not put simple, fluid clothes. Today, however, is clothes look overdesigned to fit by very short skirts.

Karl Lagerfeld's message is more diffuse. Hardly a fashion point is left untouched in the collection of the pleasantest collections to be shown so far, if you're not put simple, fluid clothes. Today, how works with the avant-garde.

He also shows some relatively conventional jackets shaped with hourglass curves. He started this floor pieces that ranges from skinute clothes are simple. Advanced designs need not be appeared. Instead, a scari is caught on. 160 pieces that ranges from skinny contemporary looking knitted clothes to undated 18th-century ball gowns. Very full long skirts over very short underskirts is one of the content interpretations of the the current interpretations of the Marie Antoinette look. Very short and full skirts is another.

The accessories were as riveting as the clothes. Rounded straw hats framed the head like halos. Gloves corsets with lacings at the back or zippers at the front.

Thierry Mugler's theme for the season is Africa. He presented his collection at the Museum of African Arts near Vincenta (Control of the Season of the

bosoms popped out of low neck-lines, waistines were taut and dresses were cut like slips and edged in lace. One short shift dress was made of lacquered polaroid pictures. Lagerfeld pours ideas out in breathtaking profusion in his first collection under the aegis of Revillon

Marc Andibet didn't fare as well this season as he did with his last collection when he concentrated on

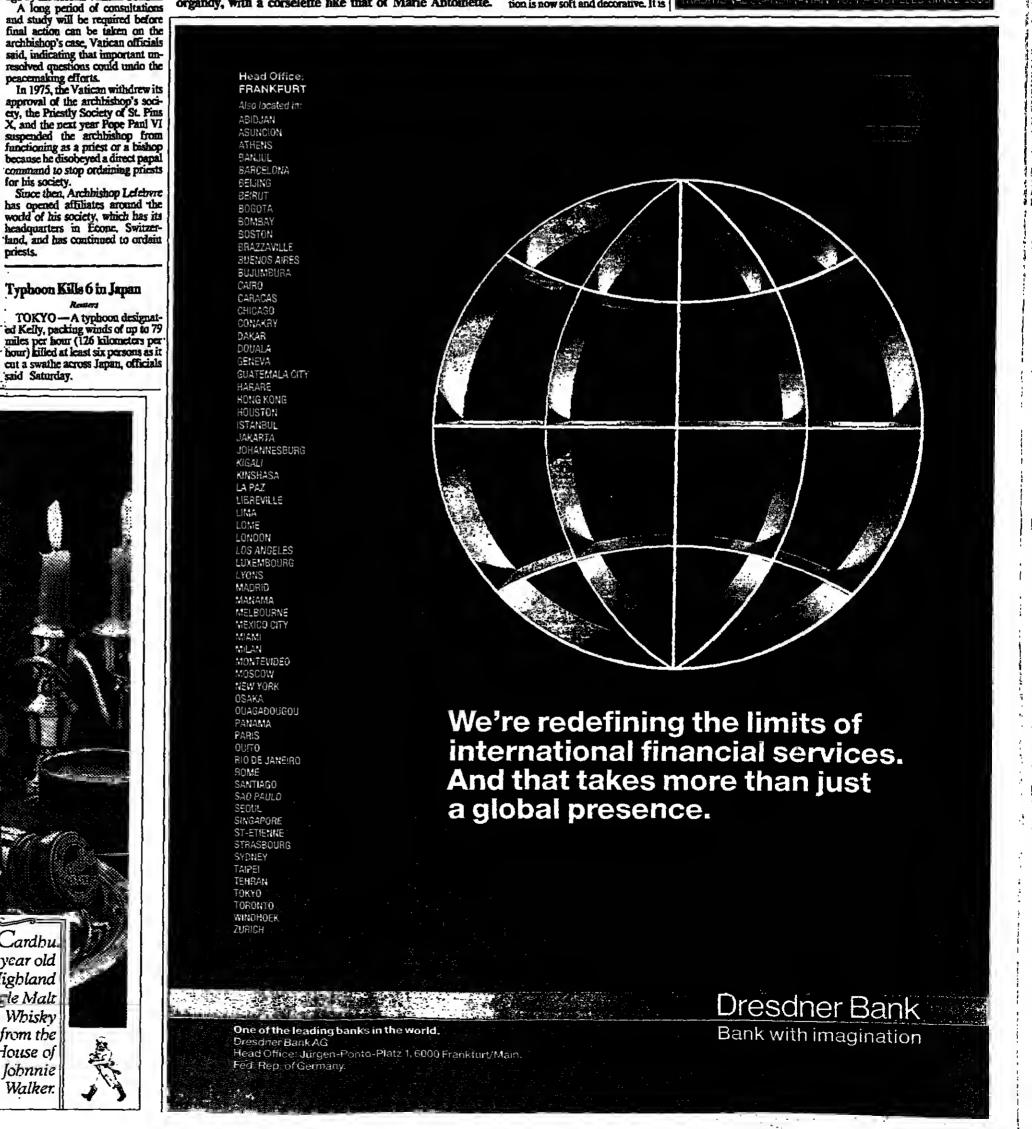
inventive but still looks wearable. Cork is one of his new materials, hand knitted into fluffy bloused hand knitted into fluffy bloused tops and skirts and pants. Imaginative headgear, made of rubber intending, sponge and cork, accompanies his clothes. These are as simple as a long stole with shits through which the arms can pass. Chitched strough the body, it makes a cozy jacket. The collection is an adventure in good dressmaking.

Soviets Reach 283 Million

United Press International MOSCOW — The population of the Soviet Union stood at 283.8 million on Oct. 1, Tass reported. The figure, given in a brief dispatch Saturday, showed that the Soviet Union has the third-largest popula-tion in the world after China and







OCTORER 16, 1987

Stinger Missile Parts On Iranian Ship Were Sent by U.S. to Afghans

By Stephen Engelberg and Bernard E. Trainor

New York Times Service WASHINGTON --- U.S. intelligence agencies have established that the Stinger missile parts found on an Iranian attack boat in the Gulf this month were part of a batch supplied by the United States to Afghan rebels, who lost them to Iranian forces in June.

Reagan administration officials said the Afghans had lost the missiles in a skirmish with Iranian they crossed the Iran-Afghanistan

The officials said that there were exchange of fire, but that after the among those who were alerted. Iranians called in reinforcements, the guerrillas were overwhelmed and their load of as many as 30 Stinger missiles was taken.

Officials gave various estimates of the number of missiles involved. One said that 30 were lost, while two others said that the number was 2 to 10.

They said the capture of the missiles then touched off an intense round of diplomatic activity. Pakistani officials and the Afghan guer-rillas, appealing for solidarity with the Islamic cause, tried to convince Iran to return the missiles. U.S. officials said they believed that the talks, which are continuing, now had little chance of success.

The missile parts, including a battery marked with a serial num-Iranian patrol boats captured by the U.S. Navy in the Gulf on Oct. 8 after they fired at U.S. helicopters.

Officials say they are convinced that reports that the Afghan groups had sold some of the missiles to Iran are untrue. They say they bave no evidence to contradict the story of the missiles' capture as told by the Afghan commanders.

Several officials cautioned that the investigation into the loss of the Stingers was continuing and that officials were leaving open the possibility that the Afghan rebel com-manders might not have told the whole truth.

"We have no reason to doubt there was a firefight," one official

The conclusion that the batteries were originally part of a shipment of weapons from the United States to the Afghans is significant because it is likely to revive a debate in the administration and Congress over whether and under what circumstances such high-technology weapons should be provided to guerrilla groups. The Central Intelligence Agency, operating in close cooperation with the government of Pakistan, has been covertly supporting the Afghan rebels for near-

After sharp internal debate, the administration decided in 1985 to begin supplying the rebels with the weapons. Some military officials objected because they feared the weapons could be captured or lost and then used against U.S. forces. Officials said that knowledge of

the capture of the Stingers was initially kept to a very small group of troops who surprised them after officials in hopes of maintaining secrecy over the Pakistanis' diplomatic efforts. But they said that the Joint Chiefs of Staff and the comcasualties on both sides from the mander of Gulf forces had been Officials insisted that the Penta-

gon had been given sufficient notice to insure that U.S. aircraft pa-trolling the Gulf were prepared to counter the threat presented by the Stinger, a shoulder-fired weapon that has been used with devastating effectiveness against Soviet aircraft in Afghanistan

The Stinger comes in several versions; officials said that the Afghans have been sent only the hasic Stinger. The officials said U.S. aircraft were equipped with advanced flares to deceive the heat-seeking

Officials said that it was possible for the Iranians to learn how to fire the relatively small number of Stingers they have captured, but that it was unlikely they could beber, were found aboard one of two Iranian patrol boats captured by the U.S. Navy in the Gulf on Oct. 8 in recent days that their country

One official added, however, that Iran could well sell one of the Stingers to the Soviet Union, which has the technological know-how to produce a replica.

As pieced together from accounts by more than a half dozen administration officials, the loss of the Stingers began in early June when a group of Afghan rebels was step up that ladder. making its way along the southwest corner of Afghanistan in Nimruz Province, near the Iranian border.

The officials said that because the group came to a river too deep to ford, it was forced to change course and crossed into Iran while going around it. By another account, the Afghans were running short of gasoline and decided to search for fuel inside Iran.

While there is some disagreement over what motivated the Afghans to cross the border, the officials agree that the Afghans were in mitments would seem to require Iran when they were discovered by



Ida Nudel, a Soviet economist and celebrated Jewish activ-ist, who arrived in Israel on Thursday after struggling to President Ronald Reagan, who was visiting his ailing wife, emigrate for 16 years, with Secretary of State George P. Nancy, at the Bethesda Naval Hospital in Maryland.

GULF: Reagan Reaches Decision on a U.S. Response but Won't Disclose It

A U.S. official accompanying Mr. Shultz said that the Saudi leadresponse to the recent attacks.

the attack as a "direct challenge to Kuwait and that "Kuwait has the "we're there to protect our interests the United States, whose naval task full support of the GCC and the in the United States last summer to contain the United States last summer to contain the Gulf.

The Gulf.

The United States, whose naval task full support of the GCC and the and those of our friends and allies. We're not there in an aggressive decides to take." Mr. Shultz reported that Knwait

would take the missile attacks to the United Nations Security Counership had made clear to the secre-tary its desire for a U.S. military other nations of the six-member he denied a report that the U.S. Guards during their detention after Gulf Cooperation Council or with Hardly anything the United States the Arab League, with the United might do would be excessive in the States favoring the course of a coi-

strong U.S. military retaliation. A interview that his government had Kuwaiti newspaper characterized been in diplomatic contact with cording to Mr. Shultz, was that Oman.

decides to take."

Mr. Shultz confirmed that the
United States had exchanged written messages with Iran on the two American retaliation.

Saudi view, the official said.

The state-controlled news media in Kuwait called Saturday for Prince Saud al Faisal, said in an The basic message to Iran in the

The basic message to Iran in the Iranian boats Oct. 8, were repatridiplomatic communications, acated Saturday through neutral

Meanwhile, an Iranian naval commander charged that U.S. forces had "badly tortured" four wounded framan Revolutionary messages spelled out in detail the an armed clash in the Gulf, Teh- posed international conference on Iranian actions that would lead to ran's official press agency, IRNA, peace in the Middle East, which has

reported Sunday.

The men, who were wounded when U.S. forces attacked three partner, Mr. Peres. ated Saturday through neutral (Renters, WP, AP)

Shultz Exhorts Israelis To Revive Peace Effort

By Don Oberdorfer endorsed it.

Washington Past Service
IERUSALEM — The U.S. secretary of state, George P. Shultz, wound up three days of meetings with the rival leaders of the Israeli coalition government by calling Sunday for "energy, unity and resolve" in restarting an Arab-Israel peace process and warning that "no one helps the chances for peace by

doing nothing."
Mr. Shultz's remarks at his only public address in Israel were inter-preted by Israeli journalists as critical of Prime Minister Yitzak Shamir, who has vetoed the diplomatic initiatives of his rival, Foreign Minister Shimon Peres.

In a news conference several hours after the speech, however, Mr. Shultz went out of his way to praise Mr. Shamir's desire for peace and announce that the prime mister would pay an official visit to Washington next year.

Mr. Shultz met three times with Mr. Shamir and three times with Mr. Peres — but never with the two men together —during a three-day visit that was interrupted by a trip to Saudi Arabia on Saturday.

He said that "I can't point to any particular thing and say, look, we've moved from here to there" as a result of the discussions. Mr. Shamir has resisted a pro-

won the endorsement of the Arabs. the Soviet Union and his coalition

Mr. Shultz pledged that the United States was willing to ex-

although the government has not

In his address, to the Weizmann Institute in Rehovor, the secretary declared that "those who are reinctant to explore new ideas, or even revisit old ones, have an obligation to offer something different as an alternative to the status quo."

Questioned about the statement in his news conference, however, Mr. Shultz insisted that this did not apply to the current Israeli government talks, saying he had found "eagerness to discuss the peace process on all sides."

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The one area of open discord was between Mr. Shultz and nine Palestinian leaders from the West Bank and Gaza, who refused an invitation to meet him.

Mustafa Natshe, former mayor of Hebroo and spokesman for the group, said, "Our people refused to come as a kind of protest against American policy

American policy

He charged that U.S. policy ignores our national rights, our right to self-determination and our right to have our own state, and refuses to recognize the Palestine Libera-tion Organization as our sole legitimate representative.

Mr. Natshe said the group was particularly angry at the recent State Department order to close the PLO information office in

Washington. Mr. Shultz said "it is too bad for them" that the Palestinians had refused the invitation to talk because "Palestinians keep saying they want representation, they want to be heard, that they want to be listened to, that they have ideas, that plore the idea of such a conference, they have an important role."

Full Recovery Seen

ation: 'I'm glad that this is over and it certainly shows the value of

regular checkups."

The chief White House spokes-

man, Marlin Fitzwater, said a biop-

sy had indicated the presence of a "noninvasive intraductal adenocar-

cinoma," which be said was a com-

mon form of breast cancer found in

the milk ducts. The cancer was

about seven millimeters (about a

quarter of an inch) in size, which

was "anticipated," Mr. Fitzwater

said, and it was "concentrated in an identifiable area." The procedure involved removal of the breast and the lymph nodes under the arm.

Dr. Hutton said the laboratory

examination of frozen sections

shows no evidence of malignancy

in the lymph nodes or surrounding

Mr. Reagan was driven to Be-thesda early Saturday morting, carrying a tote bag that he said contained papers. Dr. Richard Da-

vis, Mrs. Reagan's brother, who is a Philadelphia neurosurgeon, hand-

ed him about two dozen pink roses. which the president carried to his

At the hospital, Mr. Reagan told

the doctors, "Take good care of her," according to Mr. Fitzwater.

The president remained at the hospital while the surgery was per-

"Honey, I know you don't feel like dancing, so let's hold hands," the president said, according to Dr.

(Continued from Page 1)

president's wife said after the oper-

NANCY:

POLICY: U.S. Ponders Gulf Role PUMPKINS:

(Continued from Page 1)

acutely aware of miscalculations in the last three months about Iran's readiness to risk direct confrontation with the United States, seem to be weighing closely this time how
or whether — to make the next

From the beginning, administration policy-makers have offered changing definitions of U.S. objectives, ranging from the limited task of protecting only the 11 reflagged Kuwaiti ships to defending the free right of navigation in the Gulf's international waters for all ship-

The rules of engagement laid down for U.S. warships escorting reflagged Kuwaiti tankers do not now extend into Kuwait's waters. But several other stated U.S. comsome U.S. action.

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man, said at a Sept. 9 news briefing that while there was no certainty what the United States might do if a U.S.-flagged ship was hit by Iran inside Kuwait's waters, "we protect U.S.-flagged shipping throughout the world, wherever it is."

The other commitment, renewed Secretary of State George P. Shultz as recently as Thursday, has been to tell Iran that the United States is determined to show its resolve to help its Arab Gulf friends defend themselves against Tehran's threats and to keep the Soviet Union out of the Gulf.

The U.S. purpose, he said, is "to see to it that Iran does not succeed in becoming dominant in the Persian Gulf by intimidating and bullying the Gulf states, and that the Soviet Union does not become, in a sense, the protector of those vital

ment spokesman, Charles E. Red- The Heavyweights

(Continued from Page 1) until Stephen, who had come across the method in a sci-fi film called "Dark Star," sent for a news sheet on hydroponics from the En-cyclopedia Britannica, bought a packet of seeds and failed utterly to win a prize at all.

Stephen didn't compete this year as he didn't have a suitable entry, but watch out next year. Although Stephen is too nice a guy to have the killer instinct a champion needs, he is probably on to a good thing. To grow a giant pumpkin normally requires 250 to 300 square yards of space. Stephen's pumpkins grow nearly on shelves in

They are housed in a pumpkin-

"If it's Australian TV, I say its er, that's tralian lager, if I have American TV, I say I always give them Bud-weiser. I'm hoping someone will say, 'Listen, we can bung you a few

rock 'n' roll.

ing guitar.

Last year's measly 50-pounder ended as a jack o' lantern photo-graphed with Stephen's expensive American guitars as a promotion ploy when he has a pumpkin to promote. Right now, he says he

"At least I got a fruit," he says.
"Somebody said I had a lot of guts
and willpower; I thought, 'Blimey,
that's a nice thing to say."

his backyard.

shaped greenhouse that Stephen designed and built with a De Lorcan style gall-wing door, and they are fed by drip tubes containing nutrients. Whenever he thinks he might get a few quids worth of sponsorship out of an interview, he says he feeds his pumpkins beer.

"I rise to the occasion," he says.

grand if you give them Bud-

"I would have thought they'd grow bigger," he said, "because they've got a more leisurely life style, just situng on their shelf. At the end of last year when the nights trick them into believing it was came back. Not Known." summer." The pumpkins were not

"It's a bit eccentric, I know," he said, "but it might give me an edge. I know people play Liszt and Bee-champs of Garden News was sad to I know people play Liszt and Bee-thoven and that sort of thing, but I thought I'd try rock 'n' roll because I've got the tapes." Chuck Berry and Eddie Cochran haven't done the trick, so Stephen is planning to form a live rock group and is learn-

"I don't want to be like Eric Clapton or Segovia or anyone like that," he said, "I just want to play basic rock 'n' roll. I practice every night. I'm going out tonight be-cause I get on me mmm's nerves."



Stephen Liddard grows pumpkins hydroponically.

thinks the problem is seeds, and hear that he would not be competwhat he wants to do is get giant seed from Robert Gancarz, the seed from Robert Gancarz, the year, and she said, We'll be look-mig forward to that with anticipation." No one has, and keeping pump thinks the problem is seeds, and kins warm and well fed is not what he wants to do is get giant

on Pumpkin Grower, New Jersey, New York, U.S.A., and I said: 'Listen, send me some of your started drawing in I bought an artificial sun lamp — cost me 290 in England. If I will be 12 grand quid — and stuck that in trying to I'll split it with you. The envelope

Stephen didn't even know how to fooled.

He has tried talking to them —

"I threaten them, curse them, tell them I'm going to cut them off at the roots" — and he plays them in Cinderella."

Supplied dain t even know how to say hydroponics when he started. "I knew nothing about pumpkin," he said "The only one I ever seen was in Cinderella."

For someone so green, he has

Burundi Leader Eases Restrictions on Church

BUJUMBURA, Burundi -President Pierre Bnyoya of Burun-di, who led a coup on Sept. 3, has amounced that Roman Catholic churches may celebrate Mass on weekdays as long as they do not interfere with development work.

Reuters

Mr. Buyoya had cited a han on weekday church services and other restrictions on religious activities as

among the reasons for deposing the

former president, Colonel Jean-

Baptiste Bagaza

It isn't easy to be a pioneer, but sure as God made little pumpkins, Stephen will stick to it and with luck may win the prize and live happily ever after. In the mean-time, he has another hobby: cus-tomizing cars. If he ever gets a pumpkin big enough, he can turn it into a coach.

JEREMY CAVENDISH

HE WAS JUST SO

FINALLY HAD TO

SAY YES.

member of Mensa. He wanted to

sell the greenhouse in the U.S. He

bike inside and cut a hole in the

roof and make it a mobile observa-

TEST: the pumpkin world has not been all

formed.

that welcoming "Most people, when it comes down to the nitry U.S. Commitment (Continued from Page 1) gritty, don't want to know," he said. "I had a nutter here said he and the Soviet Union last month was an experimental engineer and a agreed to step-by-step negotiations

to improve procedures to verify compliance with a treaty and set limits on nuclear testing.
"The ultimate objective," said a said, 'How about if you mount a joint statement, is "the complete tory, and when you pedaled it would tnrn.' He's a nutter, I cessation of nuclear testing as part of an effective disarmament pro-

The administration is entering this negotiation clearly opposed to the stated goal," said Spurgeon M. Keeny Jr., a former government arms control official who is now president of the Arms Control Association, a private organization that seeks to promote nuclear weapons accords.

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French Banking

COUNTDOWN **To Deregulation**

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March 1986: Stock Market **Launches Early Session**

The Paris Bourse begins a morning trading session, added to the present two-hour afternoon session. Thirty leading French shares are being traded in the new session, held between 9:30 A.M. and 11 A.M.

May 1986: Rules for Buying Securities Are Loosened

Residents are able to purchase foreign se-curities on external financial markets without having to obtain the necessary foreign currency by first selling other foreign securi-

June 1986: Computers Alter System of Trading

Computerized trading is installed from 10 A.M. 10 5 P.M. One year later, 83 stocks were being traded all day. The system is expected to apply to the whole market by the end of 1988.

September 1987: Traders **Get Options Exchange**

First stock options exchange is created. In addition, an index-based option is expected to be launched by the beginning of 1988.

Jan. 1, 1988: Liberalization Of Bank Stocks Scheduled

Through legislation being debated in the National Assembly this fall, the 45 Parisian banks and 15 regional firms will be allowed to sell up to 30 percent of their capital to outsiders. This figure will rise to 49 percent in 1989 and to 100 percent in 1990.

In 1992: Monopoly Ends

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TI-T:

The present brokers' monopoly in the market ends. The number of seats on the Bourse, now at 45, is to be increased by an unspecified number.

Strengths and Weaknesses

Bankers Hone Bid For EC Leadership

By Robert Pouliot

ARIS — Still shaken by the effects of three years of change in the indusrry. French banking is facing a rough ride to 1992 if it wants to win the European leadership in finance.

"Unless we move fast, we will get buried deep into our hexagon," said Henri Moulard, managing director of the Société Lyonnaise de Banque. His \$7 billion bank aims to recreate a "Laun are" in finance by linking Lyon, Geneva, Milan, Turin and Barcelona with Monte dei

While the United States is still debating over the Glass-Steagall Act and cross-border state banking, the lifting of all barriers to capital movements within the European Community has become the top challenge of French banks, with 200 branches, subsidiaries, representative offices and associated institutions spanning

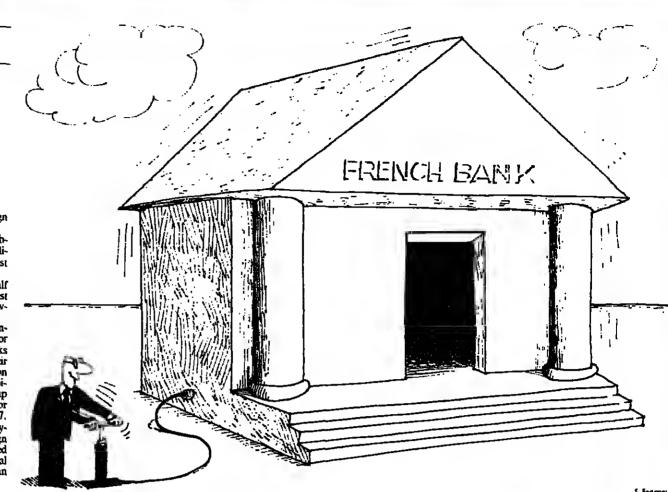
"Despite our beavy international network." said Olivier Robert de Massy of the powerful AFB, the French bank association, "we still might be too light in Europe," with one foreign unit out of five operating on EC grounds. Before taking over Europe, though, problems of adequate capital resources, profitability and quality of staff need to be resolved first

Bank capitalization stands at about only half of what major competitors in Britain and West ermany have in order to face major upheavals on the world market

France did build massive provisions for nonperforming loans way ahead of American or British banks. Last year, the top three banks added 18.5 billion francs (\$2.9 billion) to their stock of provisions now totaling 85 billion francs. By adding provisions and raising capital, the 385 members of the AFB beefed up their first line of defense by 80 billion francs, or 71 percent, in 1986 through the spring of 1987,

And more is to come as leading heavyweights are pushing their coverage of sovereign risks way beyond the 40 percent mark achieved so far. The Paribas group, relying on global capital resources of 71.6 billion frames, plus an

Continued on page 8



Privatization Goes Ahead Without Investor Enthusiasm

By Julian Nundy

ARIS - Despite the overall lackfuster performance of French stocks this year. France has pressed ahead at full speed with privatization — the cornerstone of Prime Minister Jacques Chirac's "liberalism.

Eleven months after the first denationalization, of the Saint-Gobain glass, construction and packaging concern, the verdict among financial experts is that the policy has been a success for the government. At the same time, it has brought a good, if not spectacular, return

While the opposition Socialist Party, accom-panied by recent rumblings of discontent from

Mr. Chirac's center-right allies in the Union for French Democracy, regularly attacks the program, it is one that seems to inspire little

disapproval in the general public.

The complaints about the policy have ranged from charges that Finance, Economics and Privatization Minister Edouard Balladur was underpricing privatized stocks to one that be has been showing excessive favoritism to his litical friends when awarding shares to the "hard cores" of investors that control the dena-

tionalized companies.

Since Saint-Gobain went on sale last November, 11 companies have been privatized, The government's goal is to denationalize a

total of 66 firms.

By late September, the average increase in the price of the first 10 denationalized stocks

was 21 percent, a creditable if unexciting performance from an investor's point of view. For the government, some analysts see these results as an indication that the stocks were correctly priced at the outset.

"The government can't be accused of selling off national assets at cut rates," said Michael Cocker, an investment counselor at the Banque Louis-Drevfus who advises foreign investors on French stocks. The Socialist Party had ac-

cused the government of setting prices at 25 percent to 30 percent below their real value.

But there is a wide disparity between the performance of the privatized stocks. Saint-Gobain topped the list with an increase of 64.5 percent. The worst performer so far has been Société Générale, with only 3.4 percent since

its privatization in June.

formed this year by 25 of the 220 stocks on the main monthly settlement board at the Bourse, remains an excellent buy, bankers say.

"It's been one of our best investment stocks and we are still recommending it," one investment counselor said.

Of the first 11 privatizations, seven were banks and the 12th, due by the end of this year, will be France's largest insurance company, the Union des Assurances de Paris, which is only the 45th largest in world terms.

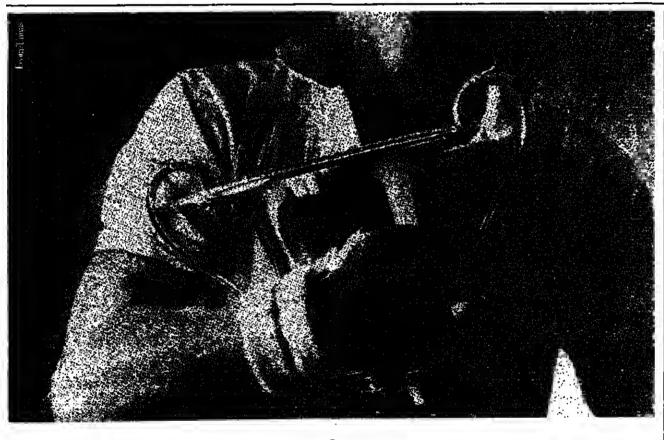
Analysts complain that this bas led to an increase in an already large financial sector on the Paris Bourse at a time when such stocks have been generally mediocre performers. Another insurance company, the Assurances Générales de France, a deposit bank and a major industrial company, expected to be Rhône Poulenc, will be privatized early in the

Banks, with their straightforward management structures, are easier to denationalize than sprawling industrial concerns with a spread of differing activity, the analysts say.

The price of the Compagnie Financiere de Paribas, the second stock to be privatized. dropped when the bank made a new share offering in the spring, while "the Credit Com-mercial de France was pulled down by the general movement on financial stocks and the Societé Générale never got off the ground."

one banker said. People would be more interested if they

Continued on page 8



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Pag- 1.

TOTAL VICTORES 16, 1987

Capital Markets Spur Innovations in Mortgage-Backed Securities

By Linda Keslar

ARIS - The potential boom in mortgage-backed and other forms of asset-hacked securities here is so certain that at least one major U.S. investment bank that is looking to develop business in the market will not even talk about

"The market could develop very quickly," is the investment banker would say, "We all the investment banker would say. don't want to call attention to it and alert our

Salomon Brothers, a major underwriter of U.S. mortgage-backed securities, is mute as

well on the issue of innovations in this particular area of the French capital markets.

While U.S. lenders have been pooling mortgages into debt securities for more than a decade and are now bundling other assets, such as credit card receivables, into new instruments, securitization of mortgages in one form or the other is just now taking place in Canada and Britain, and in a more limited way, in France. The method requires major lenders to home owners here to bundle like mortgages together, back them with a guarantee of sorts to assure creditworthiness and create debt instruments that can be traded in the bond

"The financing concept took 15 years to

cross the Atlantic, and now the question is how long will it take to cross the Channel," said Didier Negiar, a manager at McKinsey & Co., the management consulting firm, at its Paris

The single-family housing market was the stimulus that led to the explosive growth of asset securitization in the United States, which mushroomed to \$270 billion last year. Most of these securities were collateralized by mortgages and developed as a way for banks and thrifts to raise funds and disperse the risks of leading to homeowners.

In France, however, the \$46 billion mortgage market is heavily subsidized by the government, which directly underwrites the mortgage

loans made by most banks, thrifts and specialized lenders here. But the deregulation of the French banking sector is creating a new competitive environment, one in which its players are becoming more concerned with ways to manage interest rate exposure on their balance sheets. Asset-backed securities can allow a bank or thrift to transfer what had been its risk to the investor in those securities and relieve its

balance sheet at the same time. For France, the time is ripe for such innovations due to the changes sweeping over the banking industry. A major shake-np has been created by the development of new instruments and markets, like commercial paper and certificates of deposit, that have allowed major French corporations to go directly to the capi-tal markets for funds and bypass banks com-

A drop in their traditional source of funds is leading more French banks to look at alternatives, and the type of off-balance sheet financing offered by asset securitization, may be the norm in five years or so, said one expert.

"I could see it then, as banks are becoming more capital-ratio conscious," said Philippe Masson, a principal of Mckinsey in Paris. Moreover, several of France's largest national banks are also being privatized, which also changes their profit motives.

But bankers say the factor looming largest on the horizon for French authorities is 1992.

when all the barriers that separate the financial services markets in the European Community countries are to be swept away. That is giving banks here more incentive than ever to become competitive with their international counter-

McKinsey, for one, has been studying what profound changes this is having on the French

financial community. "We're looking at how the mortgage-backed market developed in other countries, what financial and regulatory changes must be accomplished," said Mr. Masson.

LINDA KESLAR is a financial journalist based in New York.

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Companies Discover World Equity Market

ARIS — The world is wooing French equities these days. While the The underdevelopment of the Chirac government's privatization plan will increase the market capitalization of the Paris Bourse by an estimated 25 per-cent, heightened international in-vestor demand is also leading many French companies to directly offer their shares abroad for the

Although the size of these cor-porate flotations has been relatively small compared to the mammoth offerings by French government-owned companies go-ing private, the trend toward international tranches in equity offerings by French companies is catching on. Some companies are even selling their shares exclusively to foreigners.

"We're talking to more and more French corporate managements about tapping into the international equity markets," said Danielle Kaydeyan, an equity an-alyst who follows the French markets for Salomon Brothers in London. "The French market is no longer isolated." Opening up cor-porations to the global markets will give them more leverage in financing, she said.

Official estimates place foreign ownership at about 15 percent of the \$3 billion market capitalization of the French Bourse, and an even greater proportion of French equities beld by foreigners outside of France. That is giving foreign investors considerable influence over French companies, some of which have as much as a quarter of their capital now held abroad. And that number is growing.

"It's a matter of the French markets becoming more interna-tionally integrated," said Tanguy Lidouvello of Lazard Frères in

The underdevelopment of the French stock market has kept internationalization at bay until recently, since it is hard to convince

foreigners to huy stock if there is a weak home base to sell back into. However, with the sweep of privatizations, many of which have sold portions of their offerings directly to investors abroad, the Bourse is thriving, with trading volume up 50 percent for the first six months of this year. So much so that some private sector compa-nies first approached international equity financing for fear that the

If anything, the contrary has been true. The French market is strong, regardless of privatiza-tions," noted Ludovico del Balso,

privatizations would saturate in-

vestor demand in the Paris mar-



an executive director of Shearson Lehman Brothers in London. the privatizations has certainly helped. Compagnie Genérale d'E- group, for example, issued the largest French offering ever and was worth about \$1.06 billion, 20 percent of which was sold to British, German, Swiss, American and Japanese investors through a separate international stock syndicate. By comparison, the internation-

al flotations by the French corporate sector have been noteworthy more for their incidence than size. Peugeot, the French carmaker, for example, sold more than half its 2.375 billion new shares worth \$395 million directly to foreign investors this summer by syndicating the stock globally through a wide range of investment hanks. The shares retailed for \$166 apiece, and it marked the first time the company targeted a stock offering to investors outside France.

While, the internationalization of ownership of French companies

lectricité, the telecommunications is a positive trend, it could lead to some unwelcome changes. For one, said Ms. Kadevan of Salofs mon Brothers. French companies have had to wake up to the uncomfortable fact that they can now become targets of hostile bids from both French and interna-tional raiders. "French manage-ments do not have the same kind of control with their shareholder bases broadening," she said.

But it also gives companies more potential spending power to make aequisitions themselves. There could be an accelerating trend of French companies buying other foreign companies through slock offerings." she said. This could lead to some mammon cross-border combinations, since, before now, corporations' means of raising cash were more limited.

Linda Keslar

Bankers Hone Bid for EC Leadership

Continued from page 7

extra 17 billion francs in provisions, raised a further 3.5 billion francs in equity this summer. Yet, those giant efforts may not be enough. Figures of the Organization for Economic Co-operation and Development still suggest a capital deficit of 1 percent to 1.5 percent on total assets or 75 billion francs more to be raised in

An extreme case is the "green bank," the Caisse Nationale de Crèdit Agricole, with less than \$1 billion in equity against total assets exceeding \$100 billion. About to be sold by the state to 94 regional cooperatives, its AAA credit rating is at stake for lack of adequate capital resources, and that could make a serious dent in profits.

The catch-22 for French bankers is to beef up their "resistance capacity" while building a large treasury chest to fund their European drive, which can only be tackled through merg-

ers, acquisitions and equity alliances rather than by multiplying hranches abroad. Two outsider groups emerging from the Par-ibas empire of 1981, the London-based Pallas Group of Pierre Moussa and the Brussels stronghold of Pargesa led by Albert Frères, are showing the way.

But to attract more capital, banks need to

improve their profits. Poor productivity and low return on capital kept the French trailing way behind other European countries through the 1980s. Compared to British banks, return on assets were six times lower and productivity One reason lies in the rigid policies imposed

since 1974 by the state on credit growth and market shares. The result was an above normal reliance on highly volatile and short-term-geared interbank funds, accounting for 50 percent of balance sheets against international norms of 10 percent to 20 percent.

This is wby privatization had such meaning in France. Although the Banking Commission claims that it would never allow a bank to fail, the whole quality of massive interbank loans could suddenly be questioned abroad, especially when such leverage proved to be so

Despite a strong comeback in 1986, when profits surged five times. Banque Worms threw away 203 million francs on its net interbank and money market dealings. Credit Commer-cial de France (CCF) as well had to wipe out 1.6 billion francs while the buge Paribas, downgraded to an AA+ rating, had to cover 11

But things are changing, and interbank window-dressing is now giving way to tougher bottom-line criteria. This, in turn, is signaling a major shift in correspondent banking policies with a stress put on relationship profitability. Among the most advanced is certainly Credit Lyonnais, using six different and integrated data bases to monitor relations with up to 3,000 institutions worldwide.

Less interbanking, a virtual hicing freeze, lower taxation (down to 45 percent) and booming capital gains lifted net profits by 40 percent last year for the fop six commercial and invest-

What really saved banks from a crunch in corporate credits over the last two years was surging noninterest income, now exceeding 33

Short-term commercial and equipment loans fell by 6 percent last year as a result of a dramatic improvement in corporate self-funding. A survey conducted by SAFE, a top research bouse, shows that 49 industrial groups carned about 1.5 billion francs on their financial dealings, a gain of 30 percent over 1985. Thomson-CSF, the major military hardware group, carned more money out of finance (1.9 pillion francs) than from its industrial activi-

Aside from going retail and squashing mar-gins on corporate loans, the only alternative left was to start investing directly in bonds and

shares or to manage third-party portfolios.

Since 1985, direct portfolios held by banks affiliated to the AFB more than tripled to 162 billion francs and exceeded all their shareholders' equity. A good case is the CCF, which is expected to post a group profit of 540 million francs in 1987, due largely to 250 million francs worth of capital gains.

However, direct portfolios are only the tip of the iceberg. Over the last year and a half, total assets of mutual funds (SICAVs and FCPs) zoomed to I trillion francs, or the equivalent of about all clients' deposits held by all AFB members. Most of those funds are managed by banks, with about 40 percent locked in the hands of the top seven.

The Banque Fédérative du Credit Mutuel of Strasbourg shows what underground banking means. Beside 40 billion francs of deposits, the whole group (with local co-op branches) gathered 25 billion francs of funds in its region and managed most of the 70 billion francs of secu-nities generated by the rest of the Credit Mutnel network across France.

At the other end, Paribas was managing worldwide 164 billion francs of funds for third parties, more than all its clients' deposits, plus another 51 billion francs of securities held directly. No wonder that it could boost 13 billion francs in unrealized capital gains last year on top of a shareholders' equity worth 26

The question is how much longer such beavy, a exposure to securities markets will go on yielding fat profits. With disinflation ending the boom on local stock and futures markets, hun-

dreds of banks are already feeling the squeeze. "Our experience is quite significant," said Mr. Moulard of the Lyonnaise de Banque. Sixty percent of our management efforts are now geared toward market risks instead of credit risks." And he reckoned that nearly 30 percent of his staff needs to be retrained.

Throughout the industry, the recycling figare may be much higher and could involve over 150,000 people recruited in the 1970s, mostly as tellers. Although each bank spends on average 3 percent to 4 percent of its payroll on training programs, only 40 percent of new recruits last year had university degrees in hanking, against 100 percent in Japan and 80 percent in Sweden.

ROBERT POULIOT, head of Capital Intelligence, a bank rating group based in Geneva and operating in Europe, the Middle East and Asia. writes on international banking.

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Chirac Government Pushes Privatization **

Continued from page 7 came up with industrial companies rather than another bank," he

Another criticism is that Mr. Balladur, anxious to free capital to carry out other policies and obtain results well before next April's presidential election, in which Mr. Chirae is expected to run, has privatized too much, too quickly for a Bourse that has never rated among the world's leading stock markets. At times, analysts say, the extra

stock flotations have played a part in an overall stagnation of French In the spring, when prices slumped heavily on the Bourse, "there was a lot of money in play," one banker said. "Five companies were being privatized at the same

out of the market. People were not interested in the normal stocks." The government's aim, apart from restoring to the private sector companies what its Socialist predecessor had nationalized after taking power in 1981, is to invest

time and this took a lot of money

the money in other sectors to boost the economy and reduce un-Since the summer vacations ended, the government has announced reductions in value-added tax on records, cassettes and automobiles and a 3 percent cut in

income tax next year. Although such measures have an obvious political motive in a pre-election period, they were welcomed in the industries con-

One flaw in the early privatizations was an absence of measures



ALL THE MAJOR BRANDS

to ensure that investors would receive manageable numbers of

To protect the small investor, all requests for stock were satisfied, meaning that Paribas, for example, issued four shares to each investor whereas the Banque des Travaux Publics issued only one. In the case of BTP, the original

share price of 130 francs (\$22) has

only increased by 10 percent, meaning that, if stockholders sell, the gain is lost in bank commis-The privatized companies face the prospect of huge expenses as they send company results to each

and every investor. For the banks or brokers who hold the shares, it has meant that they are in charge of portfolios whose shares can literally he counted on the fingers of one

To deal with this problem, the banks have proposed setting up SICAVs, or mutual funds, to group all the privatized stock and give small investors their proportion of the new funds. However, Mr. Balladur has said

that after this month's privatization of the Compagnie Financière de Suez, the government would draw up legislation to establish "family accounts" that would group all shares held by members of one family, thus leaving the original stocks in investors' hands and preserving the new class of small investor that he hopes is here

The most damaging controversy surrounding privatization has Mr. Balladur himself as its target.

In planning the denationaliza-

tions, the government provided for the creation of the hard cores of institutional investors who undertake to buy and hold a certain percentage of stock for a fixed period to protect the companies involved from stock market raid-

In most cases, around 20 percent of a company's capital has been sold to such investors. For Suez, it was 30 percent. Last month, the Socialist Party published a "hlack book" accus-

ing the government of favoring its

cronies in big business when dis-tributing such stock, a practice that former Culture Minister Jack Lang dubbed "chiraquisation." Press reports have said that such privileged treatment has been meted out to the Lyonnaise des Eaux, whose chief executive is Jerome Monod, a former secretary-general al of Mr. Chirac's Gaullist Rally for the Republic. Other names

godfather of one of Mr. Chirac's daughters. Several bankers say they also perceive favoriusm in the way shares were distributed to the big investors. "Lyonnaise des Eaux does seem to be a little overpresent," one said.

have included an associate of Mr.

Balladur's brother-in-law and the

In addition, supporters of for-mer Prime Minister Raymond Barre, who is almost certain to be the Union for French Democracy's presidential candidate, have alleged that state-owned companies headed by Mr. Barre's sympathizers have often been passed

over for privatization in favor of furns headed by known Gaullists.

Mr. Balladur, who has promised to reply in detail to the charges, has dismissed the issue as a point cal maneuver to discredit his policies ahead of the election

JULIAN NUNDY is on the staff of the International Herald Tribune.

Sluggish Bourse Hopes for Better Days

We're in a period of slow growth and we will remain there for a long time.'



ARIS — Although the stock market index may not show it, 1987 is shaping up as an interesting year for the Paris Bourse.

A wave of privalizations, much improved corporate earnings, lower inflation, recent innovations such as futures and options trading and the promise of legislation that will break the trading monopoly held by 45 Paris brokers is breathing new life into France's equity markets, market observers say.

kets, market observers say.

"I am convinced that the Paris Bourse has very beantiful days ahead of it," Jean-Claude Trichet, director of the French Treasury, told the French magazine Le Point recently.

Despite this outlook, the stock market itself has had a bumpy 1987, particularly when seen against the markets in London, Tokyo and on



Edouard Balladur.

Wall Street over the first three quarters. The CAC general index, which soared 48.5 percent in 1986 — and 340 percent since 1983 — this year has gone mostly sideways.

year has gone mostly sideways.
The CAC finished September at 410, up only
3 percent from the start of 1987.
In the same period, London's FT Ordinary
index rose 41 percent; Tokyo's Nikkei index

increased 38 percent; and New York's Dow-Jones index climbed 36 percent.

Since then, rising interest rates in the United States and the sudden plunge on Wall Street over the past two weeks has taken a further toll in Paris. By last Friday's close, the CAC registered 369.6 — about 7 percent below the start of the year.

Market observers blame the relatively large decline at the Paris Bourse on higher real interest rates and skepticism over the French economy. Though economists a year ago were projecting economic growth in 1987 of 2.5 percent or more, most have now downgraded those estimates to less than 1.5 percent. The outlook for 1988 is not much better.

"We're in a period of slow growth and we will remain there for a long time," predicted Gabriel François, senior vice president and chief economist of Banque Nationale de Paris.

Another explanation for the index's decline, one broker said, is that "the privatization issues have diverted money that might otherwise have gone into the other major stocks that make up the index."

Indeed, the first 11 privatizations by the government since last December have sipboned 63.3 billion francs of that figure coming from French individuals and institutions, and the rest from foreign institutions, according to a study by London broker, James Capel & Co.

The privatizations, which have raised 51.6

The privatizations, which have raised 51.6 hillion frames for the government, have drawn an estimated 4 million individual investors into the French stock market for the first time, bringing total individual stock holders to some 6 million

The privatization issues as a group had appreciated by about 20 percent through September, according to the study, but hy the end of last week most of those gains had been wiped out. Nevertheless, the first company privatized, the glass and insulation group Saint-Gobain, was still up 58 percent over its initial offering price.

Looking ahead to 1988, a new round of privatizations, plus projections for robust corporate earnings, may provide a fresh surge of energy at the Bourse, observers say.

The minister of finance, economics and privatization, Edouard Balladur, said recently that the government expects to float at least 100 hillion francs in additional state-owned stock over the next six months. Among the privatization issues, Mr. Balladur said, will be the giant insurance groups UAP and AGF.

Presidential elections next May could cause market jitters next spring, "but after that we could see one hell of a rally," said a London broker, noting that significant earnings improvements by French companies have not been reflected by increases in stock prices.

At the end of September, the price-earnings ratio for the top 30 companies on the Bourse was around 14, but prices were only 12 times 1988 projected earnings and 10 times 1989 projections, according to the James Capel study.

Meanwhile, a flood of new issues is washing over the Second Marché, a secondary market established in 1983 for smaller and medium-sized companies. Investors seeking new issues this fall have a wide choice — everything from little-known software developers like Société

Privatized Companies: How Their Stocks Have Fared

(in French francs per share)

Stock	Launching Price	High 1987	Closing Oct. 16
B.T.P.	130	177	136.50
B,I,M.P.	155	200	190
C.C.F.	107	153	116.50
C.G.E.	290	347.10	300.20
Havas	500	550	520
Paribas	405	524	407
St. Gobain	310	524	502
Société Générale	407	437	412.10
Sogenal	125	174.50	130
TF 1	165	210	192

Concept to world-renown perfume and highfashion house Yves St. Laurent.

"I expect perhaps 50 new admissions on the Second Marché in Paris and the provinces in the last quarter." said Florence Hernandez, an official in the new-issues office of the Paris Bourse. That would bring to around 275 the number of companies quoted on the Second Marché, including issues traded on the smaller regional French markets in Bordeaux. Lille. Lyon, Marseille, Nancy and Nantes.

At the start of 1986 the Second Marche comprised 127 stocks with a combined capitalization of 58.5 hillion francs. As of July 30, the market held 216 stocks with a combined capitalistic combined capitalistic process.

talization of 148 billion francs — 10 percent of the total equity capital on the Paris Bourse. Meanwhile, institutions have taken a liking

Meanwhile, institutions have taken a liking to the MATIF futures market. Contract purchases on the 19-month-old MATIF have hit record levels, often surpassing London's future market.

And though delayed three months by technical difficulties, trading on three stock options got off the ground this fall and market observers see it taking off in the year ahead.

JACQUES NEHER, a journalist based in Paris, is a regular contributor to the International Herald Tribune's financial pages.

Vulnerable Franc Fears the Exchange Fallout of a Tottering Dollar

By Ken Ferris

ONDON — The French franc's position at the top of the European Monetary System (EMS) has enabled Prime Minister Jacques Chirac's government to press ahead with its program to liberalize all exchange controls by 1992. But the gradual removal of the franc's protective shield has left the currency open to speculative attack and is likely to result in interessed intervention and more volatile interest rates should Paris need to defend it against devaluation pressures.

devaluation pressures.

The likelihood of a franc adjustment against its European Currency Unit (ECU) central rate is limited, given the approach of the presidential election next May. Nevertheless, the prospect of a further decline in the dollar raises the specter of a flight of capital into the Deutsche mark and a buildup of pressure for a general EMS realignment. That would probably include a 3 percent to 4 percent npward adjustment of the mark versus the ECU and an effective devaluation of the franc against the German currency.

German currency.

The French unil needs to be realigned vis-àvis the mark to compensate for the inflation

differential between the two coontries since the last EMS reshuffle on Jan. 12 this year.

last EMS reshuffle on Jan. 12 this year.
On that occasion, a dispute between Paris and Bonn over who should take responsibility for pressures on the weaker EMS currencies resulted in a 3 percent revaluation of the mark and Dutch guilder and a 2 percent upgrading of the Belgian/Luxembourg franc. The French franc, along with the other currencies in the Exchange Rafe Mechanism (ERM), remained unchanged against their ECU central rates.

unchanged against their ECU central rates.

January's EMS realignment was the 11th since the ERM replaced the "snake" in 1979 and the first since the general reordering of parities in April 1986. It was immediately followed by speculation that there would be another adjustment within six months.

However, the success of February's Louvre accord, which was signed by the Group of Six major industrial countries — the United States, West Germany, Japan, Britain, France and Canada — in stabilizing the dollar has taken the pressure off fundamentally weak EMS currencies and enabled them to remain within their ECU divergence limits.

Indeed, despite intervention by the Bank of France to slow the mark's appreciation in mid-September, the strength of the French currency in the EMS has allowed Paris to slow the rise in

French interest rates in response to the recent tightening in German monetary policy. While the six-month mark Euro-deposit rate has risen three-quarters of a percentage point to 5 percent since early September, the six-month French franc Euro-deposit rate has edged up only a quarter of a percentage point to 9

The question that now looms large for the franc is how much longer central banks can hold the dollar steady in the face of the huge trade and budget imbalances in the United States and the comparable trade surpluses in West Germany and Japan. If the dollar does start to slide (the International Monetary Fund warns that a 15 percent to 20 percent decline may be needed), high interest rate EMS currencies, including the French franc, will face overwhelming selling pressure from speculators in anticipation of a realignment of the EMS.

In presenting his draft budget on Sept. 16, the French minister of finance, economy and privatization, Edouard Balladur, said inflation would be only 2 percentage points higher than in West Germany by the end of this year, and he targeted a differential of only 1 percentage point by the end of 1988.

However, the actual inflation rate (3.5 percent in August year-on-year) is currently running a full I percentage point above official forecasts, and many analysis believe the target of 2.5 percent by the end of next year is

The continued erosion of French competitiveness is reflected in a deterioration in this year's balance of payments. The trade account is set to return to deficit this year after halancing in 1986: The 23.8 billion franc (S3.96 billion) January-August trade shortfall contrasts sharply with the 900 million franc deficit in the same period of 1986. The national statistics institute, INSEE, expects a 20 billion franc full-year deficit compared to initial government hopes of a 1 billion franc surplus.

The problems faced by France in competing against its main European trading partners have encouraged the government to pursue a supply-side fiscal policy that involves cuts in corporate and income taxes and the budget deficit. September's budget provides for a 2 percentage point cut in corporate taxes to 43 percent and reductions in indirect taxes on business, while personal income tax is to be cut by 3 percent in most brackets,

The package is worth 31.8 billion francs, though the personal tax savings are to be reduced by the introduction of a series of levies

to belp cover the 33.6 billion franc social security deficit.

Despite the range of tax reductions, the budget deficit ts still expected to fall to 115 hillion frames (2.1 percent of gross domestic product) in the 1988 fiscal year from this year's 129 billion frames due to huoyant tax receipts and proceeds from the accelerated privatization program.

Privatization receipts have already reached 52 billion frames this year, compared to the 30 billion originally forecast, and another 50 billion frames is expected next year.

Mr. Balladur has emphasized that France

Mr. Balladur has emphasized that France must continue to pursue its policy of simultaneously reducing taxes and the budget deficit until 1992, the date set by the European Community for the elimination of all internal trade barriers.

The challenge of competing in a unified European market means France should cut its budget shortfall by an annual 15 billion francs and further reduce corporate taxes and value-added tax (VAT) to sharpen the competitiveness of French companies, Mr. Balladur said.

These long-term plans to reinvigorate the economy aim to pave the way for further tax and exchange control liberalization ahead of the 1992 deadline under the so-called Delors

Plan. But, with political wormes likely to increase as the presidential election approaches, the French authorities may wish they had retained some of the exchange restrictions already phased out if the franc is subjected to

speculative pressure.

Mr. Balladur introduced a package of liberalizing measures in May, which means that French companies (but not citizens) are now allowed to open foreign currency accounts in France or abroad and to borrow freely in foreign currency or French francs. However, the package stopped short of relaxing the prohibition on French banks' franc lending overseas and on individuals opening foreign currency accounts. The government felt that the franc would be exposed to speculative pressure if those two main restrictions were relaxed.

The problem for Mr. Chirac's government is that, under the Delors Plan for the free movement of capital within the EC, the removal of these two remaining principal exchange controls must be achieved by the end of thus year. If the authorities comply with that timetable, the franc will probably come under pressure on the foreign exchange markets.

KEN FERRIS is the editor of Euromoney Treasury Report.

FURTHER PROGRESS

CREDIT LYONNAIS GROUP consolidated interim results for the six months to 30 June 1987

(million FFR)

PROFIT AND LOSS	Half of 1986*	Six months to 30 June 1987	% Growth
Gross operating profit	13,219	14,123	+ 6.8
including net commissions	2,615	<i>3,152</i>	+ 20.5
Operating income	4,520	5,197	+ <i>15.0</i>
Net operating provisions	3,105	<i>3,</i> 362	+ 8.3
Net income (group share)	⁻ 910	1,191	+307**
	d-la a- L- at Ed -		· · · · · · · · · · · · · · · · · · ·

*Comparison with one half of the 1986 full year figures is felt to be the most valid as, for the first time, the results for the six months to 30 June 1987 have been prepared using procedures similar to those employed at the year end.

**Growth in net income, excluding exceptional items, is 16.5 %. The exceptional items consist of capital gains realised on the disposal of certain investments less additional provisions for pensions and general risks and costs incurred in repurchasing high coupon debt.

BALANCE SHEET	30 June 1986	30 June 1987	% Growth
Gross customer loans	347,978	368,906	+ 6.0
Equity (induding first half results)	15,803	19,264	+ 21.9
Perpetual subordinated debt	3,500	5,500	+ 57.1
Provisions	24,804	29,677	+ 19.6
- of which country risk provisions	10,580	13,435	+ 27.0
 percentage of country risk coverage 	<i>30.2</i> %	38.4 %	_
Equity + equity equivalent + provisions Gross customer loans	12.68%	14.76%	-

During the first six months of 1987, Credit Lyonnais has continued to make progress in its various fields of activity. In France, it has increased facilities both to individuals (up by 27 %) and to businesses (up by 4.1 %), has achieved a very pleasing increase of 7.7 % in the level of French franc dient deposits (excluding certificates of deposit), and has seen further expansion of its activities in the financial markets. Net commissions have increased by 18.3 %. At the same time, the contribution to operating income of the overseas network has increased strongly, with a contrast between branch offices, whose results as a whole are down, and the major subsidiaries having the advantage of a substantial presence in their country of operation, which have in general shown strong growth in profits.

The first half of 1987 has also been notable for the various steps taken by Credit Lyonnais to reinforce its presence in the financial centres of London, New York, Tokyo and Frankfurt.



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LE POUVOIR DE DIRE OUI

in the world economy. One is to

achieve the economic growth needed

to bring social progress and to meet citizens' demands for democratic poli-

tics despite the strains of rapid popula-

non growth. The other is to provide an expanding market for sophisticated exports from industrialized nations.

There is a special dimension to the

present problem. The United States

W ASHINGTON — For Ronald Reagan, the twilight days of an extraordinary presidency approach. He retains, of course, the immense war and peace powers granted to any American president. Daily events in the Gulf demonstrate heart great those powers processed.

strate bow great those powers re-main. He continues to be influential

in world affairs. A chance to

achieve a significant arms control agreement with the Soviet Union

exists. But in other areas his politi-

cal powers are waning.

Nothing more dramatically underscores this than Mr. Reagan's role in the increasingly destructive effort to win confirmation for Robert Body to the Supreme Court.

bow the tide ran out on the Reagan

era may point to last week, when the three major television networks,

ABC, CBS and NBC, refused to

broadcast a Reagan speech in which be attempted to rally public support for his nominee by strongly attacking critics of Judge Bork.

Here was the Great Communication

tor, the quintessential television

president whose performances over the years enabled him to win battle

after battle hy carrying his case di-rectly to the public, effectively struck mute in one of his most im-

portant political struggles. The net-

works had deemed his message un-

Even had his speech been broad-cast, there is no reason to believe it

would have made the slightest dif-

ference. The public seems to have

worthy of live coverage.

ert Bork to the Supreme Court. Future scholars of the Reagan presidency looking for a symbol of

Don't Panic, but Act Now

irreparable, the long fall of the stock market last week changes the atmosphere in which people deal with money. There is now a sense of vulnerability and fragility that did not exist before last Wednesday. It happened for reasons related to the twin deficits - the U.S. budget deficit and foreign trade deficit —and the fear that, because of them, interest rates will go higher. Nothing dramatie had incited that fear. It was a slow accumulation of small warnings over many months until, as often happens in speculative markets, one final piece of bad news. the figures for one month's trade deficit, suddenly reversed a consensus.

Comparisons with 1929 are inevitable. But remember that the market, from the high point Aug. 25 until now, has dropped less than half as far as it did from September to November 58 years ago. Much more important, keep in mind the fundamental differences in circumstances. A severe recession had started in August 1929. Although the crash undoubtedly aggravated the recession, industrial production and incomes had been falling rapidly for two months before the stock market responded.

But the biggest difference is that since then the American financial system has been substantially panic proofed. The wildfire panics that were a regular part of economic life in America from the Civil War to the Depression have not recurred since then. Government policy cannot stop a slide in stock

generating other kinds of damage such as sudden credit droughts and bank failures. The United States has absorbed the lessons of the Depression, and whatever happens next, it will not be the kind of contagious fear and misconceived public policy that led to the misery of the 1930s.

While America has now got itself into real economic trouble, it is a very different case from 1929. There is no recession. To the contrary, prosperity is running a bit too high and Americans are running up ominously large debts. The creditors, mainly European and Japanese, are becoming reluctant to keep lending. That is why interest rates are rising. The stock market is serving as an early warning system, picking up signs of stress that most of Washington has not felt yet. There is one thing that the White House

and Congress must do, and quickly. They must settle their quarrel over this year's budget and demonstrate to America's skeptical creditors abroad that they will keep shrink-ing the deficit. There will not be another crash à la 1929. But if interest rates keep rising because foreigners have decided to stop lending, the United States is in for some harsh lessons on living within its means. A drop in the stock market would be only the beginning. The question is not whether Americans are smart enough to avoid the dangers of 1929, but whether they can foresee the very different dangers of 1989.

- THE WASHINGTON POST.

Yes to a Golden Basket

er, set pulses racing at the recent World Bank meetings by suggesting that interna-tional financial policies be guided in part by the price of a "basket" of commodines. including gold. It is not a bad idea.

Talking up gold may sound like a way to score political points among conservatives for George Bush, Mr. Baker's friend and favorite presidential candidate, But Mr. Baker's purpose is surely larger and the problems he addresses are deeper. There can be no magic formula for coordinating policies to stabilize prices and exchange rates. But Mr. Baker's proposed commodity inflation indicator could prove useful.

Under the gold standard that evolved in the 19th century, each participating na-tion's supply of money was hacked by gold. When one country bought more goods abroad than it sold gold would flow out in payment. The resulting squeeze on the domestic money supply would automanically correct the tendency toward profligacy.

And since the world's total amount of gold
— and thus money — was limited, a gold
standard provided an automatic check against inflation. Indeed. America's return to a precious metal standard after the Civil War precipitated a loog, slow decline in prices.

A true gold standard would not be practieal today. Gold may offer the illusion of stability but the amount available to back currencies could change rapidly. No government would make its money supply de-pendent on the two leading gold producers.

The U.S. Treasury secretary, James Bak- South Africa and the Soviet Union. And even if some governments were willing, there is probably no longer any way to link the supply of money to the amount of precious metal held in vaults. Businesses would create private substitutes.

The Baker option is far more modest. Basing the standard on a basket of many commodities would eliminate the problem of dependence on a single, arbitrarily designated commodity. No country, moreover, would be asked to increase or decrease its money supply automatically to maintain the huying power of its currency. Mean-while, a broad international commodity price index might usefully signal the right direction for domestic monetary and fiscal policies — and offer an objective standard for international comparison.

The West Germans worry about inflation more than anyone. This fear keeps them from boosting economic growth now, when U.S. growth is slow and likely to get slower. Bonn argues that any inflation rate above 2 percent is imacceptable to German voters. But it might be more inclined to respond if the international commodity price index,

measured in Deutsche marks, were falling. It is difficult to construct a workable mix of commodities. But a highly visible index could at least serve as a talking point in ongoing negotiations over international policy coordination. Even small steps toward the recognition of economic interdependence would be welcome.

- THE NEW YORK TIMES.

Air Delays: Stop Meddling

What began in the House of Representatives as a sensible response to outrage over air travel delays has turned into meddling. Air travelers as well as airlines ought to

hope for greater wisdom from the Senate.
The bill started as a commendable effort to make U.S. airlines disclose on-time records, numbers of complaints about lost baggage and other data to guide consumer choice. But members of the House, sensing rising popular anger over air service, began heaping on less mentorious orovisions.

Some of these provisions were eliminated before the House finally passed the bill, but others made it through. These include, for example, setting capacity levels at the biggest airports, thus limiting departures and arrivals, and forcing airlines to give free uckets to passengers when their baggage is not delivered within certain time limits. Those are costly and clumsy intrusions.

Airport eapacity varies with the time of day and could be better managed by manipulating fees for landing rights.

More to the point, airports can be expanded to meet increased traffic, and Congress is partly responsible for the failure to expand. Rather than set limits on airport use, the lawmakers could raise the user fees that feed the Aviation Trust Fund so that the aviation infrastructure can be expanded to pay for itself. Congress also might move the trust fund off the hudget and exempt it from cuts

under the Gramm-Rudman-Hollings law. The House bill may be a response to a problem that is already abating. The Federal Aviation Administration recently reported that delays in the July-September period were down 24 percent compared with the comparable 1986 period. All the more reason for Congress to resist the impulse to meddle. - THE NEW YORK TIMES.

Other Comment

That They Too Might Be Free

As the Western democracies have withdrawn from empire, the Communist powers have created new empires, turning independent peoples into colonial satellites. Two current events illustrate this change in roles. [Last week] the leaders of the countries that used to be colonies in the largest empire the world has ever seen eathered in Vancouver to berate the prime minister of the former imperial power for defying their wish to impose sanctions against South Africa. Thousands of miles away the Chinese government was reinforcing its military garrison in Tibet so that it would be in a stronger position in put down demonstrations by its colonial subjects. Western neocolonialism at its worst is nothing compared with the brutal occupation of today's Communist colonialism. Nor is there any sign that their empires will speedily go the way of the old colonialists'. The British French, Dutch and other empires were disbanded because it became impossible to confer democratic rights at home while denying them abroad. That is not a problem for China or the Soviet Union. The sort of liberalizing steps being taken on the home front by Moscow and Beijing will only encourage their colonies to dream that one day they too might be free. The history of the first part of the next century will be largely the history of their struggles.

- The Sunday Times (London).

The War Powers Threshold

The president and his advisers may gnash their teeth to admit it, but their mission in the Gulf surely has crossed the threshold set forth by the War Powers Act. The administration's protectiveness toward its policymaking prerogatives is understandable. But it should sincerely seek out the lawmakers' best counsel and cooperation. It has a case worth making in the Gulf, one that could be improved and refined in that dialogue.

-- The Atlanta Constitution.

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OPINION

Together, We Can Avoid the Economic Abyss

By W.W. Rostow

A USTIN, Texas — Just as the mis-handling of the reparations and war debt problems between the two world wars helped bring on and then deepen the Great Depression, the leaders of the economic powers today are misjudging the scale of interna-tional trade and debt imbalances.

tional trade and debt imbalances.

The consequences of the earlier mistakes helped bring to power the Japanese military and Hitler. Before equally disastrous political and economic events result from the mishandling of today's crises, the economic powers should find a pay to restrictive intershould find a way to restructure inter-

national capital transfers.

After World War I, Germany had to transfer large sums in reparations to the European victors. Britain and France acquired a similar responsibility as a result of wartime borrowing from the United States. But Western Europe, given its economic policies and structure, could not absorb sufficient German exports to allow Germany to repay the debt. Nor was America capable of absorbing sufficient allied exports to liquidate the war loans.

In the short run, capital movements not trade, did the work. Private lending from America to Germany provided the foreign exchange necessary for Germany to pay its reparations bill, which had been reduced by mterna-nonal agreement. And the foreign exchange paid out by Germany permit-ted the Western allies to meet their

war-debt repayment schedules.

This curious triangular system began to come unstuck in the second half of 1928 as U.S. capital was diverted from Germany to the New York stock market. Partly as a conseyork stock market. Party as a consequence, the German downturn began as early as April 1929. The American economy followed in June, Britain's in July, all before the October stock market collapse. The French economy, better insulated, experienced its turning point in March 1930.

The Smoot-Hawley tariff of 1930

compounded the felony by crippling trade and making the further transfer of war-debt repayments virtually im-possible. And the world economy spi-

raled into deep depression.

With hindsight, one can argue reasonably that this ontcome could have been avoided if certain measures had been taken in, say, early 1930. If reparations and war debts had

been reduced, stretched out or can-celed by international agreement. If the United States, Britain, France and Germany had agreed to conduct strongly expansionary fiscal

and monetary policies.

• If the United States, with an exceedingly strong gold and foreign ex-change position, had moved toward radically liberalized trade rather than heightened protectionism.

All this would have required intensified international cooperation, and that, of course, did not happen, Memories of this debacle helped

shape the Lend-Lease programs, repa-rations policy after World War II, the creation of the Bretton Woods instituilons, and, in the face of another great economic crisis, the Marshall Plan and aid to Japan's postwar recovery.

It is about time that major eco-nomic powers began thinking of solutions to the current world debt and trade crises in such broad terms. Right now, mainly because of its policies since 1981, the United States cannot transfer through exports what

it purchases in imports. As with Germany before 1928, the U.S. trade gap is covered by large capital imports that rapidly increase American obligations to pay interest and profits to foreign countries in the future.

Like the United States between the wars, Japan complicates the problem

by being inhospitable to manufactured and agricultural imports, as well as by its obsessive drive to maximize exports and foreign capital holdings. West Germany, with an unemployment rate of about 9 percent and inflation at about 1.5 percent, refuses to expand its economy - pre-sumably out of fear of inflation.

Important countries of the developing world (notably in Latin America) are acting a bit like the Western allies of the pre-1928 period. In a world economy that is growing slowly and is increasingly resistant to their exports, the developing countries labor to meet transfer ob-

ligations arising from prior loans.

Write-downs, rollovers, additional government and some private lending out of their trade problems. This have helped. But they have not been enough to permit developing countries in fulfill their two essential functions must be taken into account in designing a civilized exit from the present

Here are the essential components of an international policy that would have a reasonable chance of success: Concerted measures should be taken to ease substantially the debt burden of the developing regions.

trade and capital transfer problem.

 Steps are necessary to increase the rate of growth in countries with chronic surpluses, notably Japan and West Germany, accompanied by a reduction of barriers to imports.

is now a relatively more open and rapidly expanding market than West-ern Europe and Japan for exports Through bipartisan cooperation, the United States must balance the from developing countries. Virtually federal budget. This will permit lower all the major exporting nations in interest rates. And it must accelerate those regions have geared their cur-rencies to the dollar. Thus, unlike the Japanese and Europeans, they have not felt the effects of the devaluation the application of new technologies and maintain wage restraint in the face of inflationary pressures likely to arise from the dollar's devaluation.

of the dollar from its 1985 peak. · Increased government and private lending to developing regions, including a larger role for the World But the U.S. trade deficit cannot be sustained indefinitely, so developing

FORMER PRESIDENT

Bank and regional development banks, is needed. As America reduces its trade deficit and real interest rates are brought down, the resulting capi-tal inflow to the United States should be diverted to developing regions.

The major economic powers have made progress in some of these areas, and so far they have kept under control the raw, sometimes vicious nationalistic impulses that helped push the world into the abyss in 1929 and thereafter. Memory of those years may again help us in the time ahead. But the actions by Japan, West Germany, the United States and oth-

er countries fail to match the scale and urgency of the problem. The world's leaders risk earning them-selves the characterization that Theo-dore Roosevelt made of the German chancellor's behavior in 1914: "He meant well feebly." Today, the consequences could be equally costly.

The writer, national security adviser to President Lyndon Johnson, is a professor of economics and history at the University of Texas at Austin. He contributed this to The New York Times.

mor White House staff. His original team included the "troika" of Ed-win Meese 3d, James Baker and

Michael Deaver. All are now gone from the White House, as are many other members of that first staff, people like the political adviser Lyn Nofziger and the national security political Pichael Aller. The people will be a proper the control of the political adviser Lyn Nofziger and the national security political pichael Aller. The people will be properly the property of the properly properly and properly properly

now, the next president will be

NOT YET,

NOT YET!

Why Tehran ⁽ Risked a Bloody Nose

By Jim Hoagland

PARIS — The Iranian missile attack on a reflagged Kuwaiti tanker forces the Reagan administration to define its military commitment in the Gulf with a precision that Washington wanted to avoid. To smoke out the United States, the avatollahs have chosen the road of escalation and the risk of a bloody nose inflicted in an American retaliation.

Why is Iran taking this route now, after reacting in low key to U.S. attacks on Iranian gunboats earlier this month? And why do the avatoliahs figure that American retaliation is an acceptable price to pay for the priviiege of shooting up Kuwaiu shipping.
The answers are unknowable for now. but the Iranian actions are plainly neither accidental nor irranonal. Both international and domestic political factors make the escalation route logi-cal, and sustainable, for them.

The greatest Iranian frustration has been an inability to play the two "Great Salans" against each other as the Soviet Union and the United States move toward a summit meeting. Since its diplomacy has failed to divide Washington and Moscow. Tehran appears to be gamhling on open military conflict to do that and perhaps bring Iran Soviet support.
In recent months, the Soviets have placated Tehran by making the right noises about joint economic projects during an exchange of visits. But they have not provided any real relief for Iran from the diplomatic campaign for a United Nations arms embargo against Iran and the escalating air war carried out by Iraq's Soviet- and French-supplied warplanes.

Playing for time as it prepares for the renewed land offensive it plans against Iraq. Iran countered the U.S. drive in the Security Council for arms embargo by giving indications for the first time this summer that it would consider a cease-fire.

The Soviets used this in successfully arguing for a delay in the arms embargo vote. But Moscow was careful to portray its move as part of a continuing cooperative effort with Washington inside the United Nations. The summit track continued

to be the important one.

The missile attack Friday on one of the 11 Kuwaiti ships that now fly American flags occurred as Secretary of State George Shultz arrived in the Middle East on his way to Moscow for the final summit planning session. In-discriminate American attacks on Iran now would put Moscow in a squeeze and could affect the summit. Escalation also brings pressure on the five West European countries that have sent military ships to the Gulf area.

For the ayatoliahs, would such speculative gains be worth the humiliation and pain that an America: retaliation would bring the nation. Because of the culture of martyrdom and the politics of turning persecution into strength that prevail in Iran

today, they almost certainly would. Consider the case of Hojatoleslam the Iranian parliament and the man who arranged for Robert McFarlane to fly to Tehran and talk about hos-tages and arms. That operation blew up in their faces last November. Six months later Mr. Rafsanjani's

opening to France met the same fate. Then in July his attempts to work out a modus vivendi with Saudi Arabia collapsed in the Iranian-provoked bloodshed in Mecca. In any other country, Mr. Rafsanjani's political obituary would already be written. But in Iran, the strongest political leader today is Mr. Rafsanjani himself, now playing the role of persecut-ed radical. His rival, Mehdi Hashemi, who leaked the details of the McFar-lane visit to a Lebanese magazine in an effort to discredit Mr. Rafsanjani, was executed three weeks ago.

Mr. Rafsanjani is taking credit f being able to use the American military presence in the Gulf to bring 200,000 to 300,000 recruits into the Iranian Army at a time when morale had been sagging. He and his faction might actually welcome American raids as an opportunity to burnish their radical credentials and once again show that the country has to

rally around the ayatollahs.
While the situations are completely different, in this one aspect the Iranians resemble another dangerous adversary in America's recent past - the North Vietnamese, who also were able to transform punishment into unity and whose leaders used the image of themselves as the weak persecuted by the strong to their advantage. The United States has to shape its response to Friday's missile attack with such long-term dangers clearly in view.

The Washington Post.

sode with a clear grasp of its funda-By Edward L. Rowny

WASHINGTON — As Secretary of State George Shultz and his Soviet counterpart, Eduard Shevard-

cal and diplomatic accomplishment. and realistic in three areas: making sure that sound verification proposals are built into any accord, renewing conventional forces, and pressing ahead toward President Reagan's goal of a major reduction in long-range

The Soviets may exert enormous pressure to get America to dispense

requirements can be ignored. The Soviets, of course, are only willing to cut a deal on INF now because America and its allies have

Still Life of a Great Communicator

By Haynes Johnson

irrelevant. Even many Republican right-wingers have distanced themselves from him of late, Predictably, they have fallen to fighting among themselves — and to attacking Mr.
Reagan for what many of them view as his too-little, too-late, too-Reagan for what many of them view as his too-little, too-late, too-lepid handling of the Bork defense. Another incident last week con-in proach, convey another symbol for tributed to the sense of Mr. Reamproach, convey another symbol for tributed to the sense of Mr. Reamproach, convey another symbol for tributed to the sense of Mr. Reampropriety affecting many who held bor Secretary William Brock's quiet last he sigh positions during his two terms, departure from the cabinet. Mr. Reagan stands virtually served as the slope today. The inevertable politic

bor Secretary William Brock's quiet high positions during his two terms.

departure from the cabinet. Mr. Reagan stands virtually Brock, who initially served as the president's first trade representative, is one of the 17 original meminating their next presidential months, the political parties begin hominating their next presidential candidates. Twelve months from bers of the Reagan cabinet.

Now only two of those are left: the still highly visible and forceful.

defense secretary, Caspar Weinberger, and the still nearly invisible

housing secretary, Samuel Pierce. The same dramatic turnover has occurred among the president's se-:

be gone. All that will be left is the reckoning on his presidency, and a complicated one it will be. The Washington Post

The Time for Confrontation Is Over E VEN with his fran-contra baggage and the Senate in Democratic hands, President Reagan is far from being the traditional lame duck. He has shown his clout in foreign affairs, pursuing an aggressive policy in the Gulf and seeking an arms control accord with Moscow. Recently be struck a useful compromise on military aid for Saudi Arabia, a vital ally. Some think he can even strike a bargain on the contras if he will settle for sending them nonmilitary supplies. He can certainly influence domestic legislation, notably on health insurance and the trade bill, if he is willing to

dirty his hands in the hard work of negotiating compromises.

Mr. Reagan is neither the irrelevant president his opponents would like him to be nor the revered leader who six years ago pushed congressmen into accepting programs they were afraid to oppose. He is in the endgame of his tuned out Mr. Reagan, just as the presidency and can prevail only if he accepts his limitations.

- Low Cannon in The World.

- Lou Cannon in The Washington Post.

Arms Control: It's Much Too Soon to Rest on Our Oars

nadze, prepare to meet this week, it is appropriate to take stock of what has been achieved in the arms control efforts and what remains ahead.

The two sides are close in agreement on intermediate-range nuclear forces, which for the first time would not simply limit but eliminate an entire class of nuclear weapons. The final

The dangers now are Soviet pressure — and euphoria in the West.

agreement will be a significant politi-But Americans must not let the tantalizing proximity of an accord blind them to the need to be tough-minded efforts to redress the imbalance in

strategic nuclear weapons. quickly with the remaining details of an INF treaty, particularly provisions of verification, in hopes that the U.S. side will compromise its standards to keep the "process" moving. The Soviets cannot be permitted to entertain any notion that vital verification

vardnadze once again reaffirmed

their commitment to 50 percent cuts

in strategic weapons, which President Reagan has made his highest priority

and General Secretary Mikhail Gor-bachev has described as the "root

Despite this reaffirmation, the So-

viets continue to link a prospective

to an agreement by the United States to choke off its research into how to

defend against ballistic missile at-

tack. This linkage is unwarranted.

Since both sides would gain from a

reduction in strategic weapons, there is really no reason to hold such an

agreement hostage to severe limits on

the U.S. search for strategic defenses.

American negotiators do not have a clear view of the Soviet proposal on

defensive systems. Mr. Shevardnadze

would restrict it to a Strategic De-

fense Initiative program on Soviet

terms, nor one that would subject

U.S. research to limits more stringent than those contained in the anti-bal-

listic missile treaty of 1972, which

It must be made clear to the Sovi-

ets that the United States will not

negotiate crippling limitations on its research into ballistic missile de-fenses in exchange for an agreement

to reduce long-range weapons. Amer-

ica approaches the next critical epi-

does not even mention "research.

problem" of arms control.

accord on strategic arms

The writer is special adviser to President Reagan on arms control. capabilities. A real opportunity exists to cut deeply into offensive strategic held steadfast to their determination to deploy INF missiles, because America has maintained a clear and nuclear arsenals. In their meetings last month, Mr. Shultz and Mr. She-

firm stance with regard to third-country forces and because of allied determination not to give in to lastminute Soviet roadhlocks. Achievement of an INF agreement now would allow America to concentrate on both ends of the arms control spectrum. Efforts should be redou-bled to redress the imbalance in con-

ventional forces. And gaining sub-stantial reductions in strategic arms remains the highest priority. The conventional imbalance is important source of military instability between East and West. There is no litary or political reason for the huge buildup of Soviet and Warsaw Pact forces in Central Europe. The Soviets keep promising to reduce this imbalance, although it remains to be seen whether they are serious. No Soviet action would do more to convince

reductions of these huge forces.

In the meantime, the North Atlantic Treaty Organization must continue to take steps to invigorate and improve its conventional defensive

a skeptical world of a change in Soviet

strategic objectives than substantial

· Letters intended for publication should be addressed "Letters to the Editor" and contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts. mental objectives, an experienced understanding of Soviet negotiating practices and a careful appreciation of both risks and opportunities.

The two sides may be able to reach

agreements leading to a more stable, less dangarous world. But Americans must stick with the approach that has gotten them this far and not become euphorie or believe they can rest on their oars. The task of reducing the Soviet military threat has just begun.

The New York Times.

100, 75 AND 50 YEARS AGO

1887: A War of Rumors

BERLIN - The Berlin air is heavy with clashing rumors. All summer the military set predicted a war as an unavoidable certainty. Now the same people say that there will be no Franco-German war for five years. At the same time those standing near to the Chancellor, and who for the past six months have laughed at the various war scares and assured me they bas proposed alternatives, but the United States cannot accept any that would amount to nothing, are now hinting at war and discussing its possibilities. From persons in the immediate entourage of Count Herbert Bismarck, I hear that the chances of a winter campaign and its relations to a possible Franco-Russian alliance

have recently been thoroughly dis-cussed at the German Foreign Office. 1912: Balkan Hostilities

PARIS - Hostilities have com-

situation. A report by the Belgrade newspapers states that the Servians have captured Prishtina, about 30 kilometres from the frontier. Constantinople telegrams credit the Turks with having repulsed the Bulgarians at Mustapha Pasha and advanced four bours' march into Bulgaria.

ROME — The treaty of peace between Italy and Turkey - known as the Treaty of Lausanne -was signed this afternoon [Oct. 18].

1937: He Escaped Titanic LONDON - Joseph Bruce ismay.

who faced severe criticism for his escape from the Titanic disaster in 1912, died today at the age of 74. At the time the great liner went down. Mr. Ismay was president of the International Mercantile Marine Company, controlling the White Star and other lines. He bore a large sbare in the criticism, both because of his pomenced between the Balkan States and Turkey, but it is hardly possible to form any clear idea of the military

Vola

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PECKLY SALVEN FRANCES

Volatility Forces Banks To Be Cautious in Swaps

By CARL GEWIRTZ

utonal Herald Tribune

ARIS — The debacle on the Eurobond market is having a significant impact oo the arcane business of swaps, where fixed-rate debts are transformed into floating-rate — or vice versa — or into another currency. Now that the bond market is dead and interest rates in all currency sectors are drifting up, arranging swaps has become riskier.

Any time market volatility increases, the risk involved in

running swap positions increases as well," said Martin Levion, who heads the swap desk at the Londoo office of Salomon

What's happening, major players agree, is that the swap market is reverting to the business

Once active as swap

are now acting

merely as brokers.

counterparties, banks

practices used when it originated four years ago. Financial institutions are once again acting merely as brokers matching two counterparties eager to swap liabilities.

This replaces the most re-

cent trend where hanks were willing to act as market-mak-

ers. In effect, banks played the role of one counterparty, ware-housing a position on their own books until a customer was found "We're clearly moving back toward brokering," said Michael Rulle, who heads the swap operation of Shearson Lehman

Brothers in New York. This is the result both of the increased volatility in financial markets, which makes it riskier for intermediaries to hold and hedge a position, and the emerging harmonization of banking regulations that will set standards on how much capital banks

must use to back up their positions. Taking a positioo in an interest-rate swap, banks expect they will be required to set aside from their capital base an amount equal to ooe-half percent of the principal amount of the position.

HE RULES expected oo currency swaps are more onerous, requiring 5 percent of the principal amount, and activity in that sector has slowed markedly.

Denys Firth, who runs the London swap desk at Morgan Stanley, ooted that "the currency swap market has effectively shut down beyond five years. Even up to five years" maturity, he added, "the bid-offered rates have widened," erasing the gains the swap was intended to create.

The liquidity in the largely U.S. dollar interest-swap market is still substantial, the experts say. The number and the dollar value of transactions remain high, albeit below last year's peaks.

But even in that market, it is increasingly difficult to find counterparties who want to lock in a fixed rate of interest. These days, with rates so volatile, both buyers and sellers of fixed-rate debt are shifting to money-market instruments.

Buyers do so out of fear that rates will go higher; they do not want to get locked in to long-term instruments. Debt issuers hope that rates will fall and long-term financing will become less In fact, the latest estimate from the Bank of England is that the

volume of Euro-commercial paper now outstanding is about \$50 hillion, up from an estimated \$30 billion at the end of last year. Increasingly this apparently is being sold to end-investors rather than bank intermediaries, as trading to Euro-CP is "quite small." said Lionel Price, a Bank official, at a financial markets . 2000 seminar in Paris last week.

He could that 95 percent of the Euro-CP facilities announced this year were arranged without any formal backup credit lines, which are designed to assure investors that the issuer will have the

liquidity to repurchase the short-term debt.

The big news in the CP market last week was Salomon Brothers' decision to withdraw from the business. The bank was a dealer in some 50 Euro-CP programs.

Competitors say that to be profitable, a bank has to have access to at least 100 programs so that the volume of business is large

enough to make up for the paper-thin profits.

Salomon's competitors told anyone who would listen that by walking away from a low-margin business that basically is a service to clients. Salomon risked losing its claim to handle other, more profitable, husiness.
Salomon officials, of co

Salomon officials, of course, said that was oonsense. Before the firm's competitors deride that riposte, however, they might pooder Mr. Price's comment at the Paris seminar.

Mr. Price referred to the shakeout in Londoo that has seen

Midland Bank PLC withdraw from equities trading, Lloyds Bank and Chemical Bank from Eurobond trading and Salomon from commercial paper.

He said the financial services industry appears to be following the pattern of the deregulated airlines and telecommunications industries: first attempting to cover the global market and then retreating to more profitable niches.

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Last Week's Markets All figures are as of close of trading Friday

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Bank Aide Resigns In Peru

Move Follows State Takeovers

LIMA — Peru's bank superintendent has announced his resignation after the first week of efforts by state administrators to implement a bank nationalization law opposed by owners of private

in a statement published hy El Peruano, the official journal, on Saturday, the superintendent, Juan

Klingenberger Lomellini, said he was resigning for personal reasons.

But the daily El Comercio, which covers financial news, said Mr. Klingenberger resigned because he disagreed with the way the nationalization measure was being implealization measure was being imple-

On Wednesday, police hroke into Peru's largest private hank, Banco de Credito, whose directors had tried to resist expropriation. Police officers ushered in a state management team to run the bank.

The police also seized control of the second-largest private bank, Banco Wiese, and a private investment firm, Financería de Credito.

The bank superintendent super-vises all banking and insurance ac-tivities in Peru, ensuring that hank operations are within the law.

Mr. Klingenberger named the deputy superintendent of banks and insurance, Geraldo Malincovich Costa, to replace him. The government of President Alan García Perez signed into law

on Oct. 11 a bill to nationalize 10 private banks and 23 credit and surance companies. Mr. Garcia announced the take-overs on July 28. He said the move would free capital for loans to the rural ocedy and hreak up a monop-

oly of an economic elite. On Saturday, a Labor Ministry statement ordered another defiant private bank, Banco Mercantil, to resume normal operations and fined it 100,000 intis (about \$6,300) for declaring a 15-day bank holiday

without proper anthorization. Abel Salinas, energy minister and acting head of the government communication service, said the holiday was an illegal "example of rebellion to prevent the bank nationalization law taking effect."

Builder Blends U.S., French Styles

California Firm's Homes Are a Hit **Around Paris**

By Kurt A. Ruderman International Herald Tribune PARIS—Eli Broad, chairman of Kaufman & Broad Inc., the largest single-family home huild-er in California, still remembers the day 20 years ago when on a trip to Europe he decided to ex-pand his Los Angeles-based home hutlding operations to

Mr. Broad, an avid art collector who is a connoisseur of French life, realized that the notion of a "village" of one-family homes would be a best-seller on the Continent. Those homes, well-landscaped and surrounder by open spaces, would combine American design and European decor, he decided.

In retrospect, his decision to concentrate his company's ex-pansion in France, after limited iovestmeots io Belgium and West Germany, looks more than a little prescient. Since the company set up shop here with a fledgling development. Champ Fleury, in Voisins-le-Bretonneaux southwest of Paris, its French operations have risen to account for more than 33 percent of Kaufman's total revenue of \$675 million and 33 percent of total net income that analysts estimate will exceed \$60 million

this year.
The U.S. parent company,
Kaufman & Broad Home Corp.
which is traded on the New York Stock Exchange, reached a high for 1987 of \$21 a share and is now trading at around \$11. The French subsidiary, Kaufman & Broad-France, is not traded sep-arately on the Paris Bourse.

From its tentative start in 1968, the company has built 21,711 houses in more than 10 communities throughout France. It is now France's third-largest home huilder after Bouygues SA,

Europe's largest construction company, and Breguet.

"France has always had a growing need for what we call merchant housing," Mr. Broad recalled.

"People have a real desire to own their own homes," he said. "The suburbs of Paris were just starting to develop, along with an infrastructure to support in-dustry. The postwar market for village-type nomes was emerg-ing."



'No one can live in Paris anymore. The prices are too high.'

Guy Nafilyan, President of Kaufman & Broad-France

Not that the company's introduction to France was easy. There were investment and zoning laws to overcome, as well as the hurdles of mortgage financ-

Earnings of the management classes have increased, and they, like their counterparts in the United States and elsewhere in the European Community, are moving out of the cities.

Prohibitive prices in Paris are the main cause of this exodus. "No one can live in Paris anymore," said Guy Nafilyan, president of Kaufman & Broad-France. "The prices are too

For a family of four, an apartment of 100 square meters (1.075 square feet) in one of the better arrondissements of Paris costs from 2.5 million to 3 million francs (ahout \$416,000 to \$500,000).

A single-family home in the attractive western suburbs, often much larger and with a garden, costs about half as much.

The spiraling cost of city living has boosted the success of Kauf-

man & Broad in France, Moreover, the prêt conventionné, a

government-regulated loan that makes it possible to get up to 90 percent morngage financing at preferred rates, benefits both the buyer and the huilding industry. Today, 54 percent of French householders own their dwell-

Kaufman & Broad adapts California design to French tastes, a formula for success that has kept Kaufman in the forefront of foreign construction companies in France.

Mr. Broad attributes his immediate success in a competitive market to a transatlantic adapta-tion of American home buying.

"We arranged financing through hanks," Mr. Broad said, "We delivered houses in six months, as opposed to a couple of years. We made huving a

house a one-step operation, Mr. Broad, who also huilds homes in Toronto, said American design, such as interiors with cathedral ceilings and built-in appliances, patios and stucco exteriors, were particularly appeal-ing to the French.

Kaufman & Broad's building See HOMES, Page 13

Plan to Export Soviet-VW Cars Assailed in U.S.

By Clyde H. Farnsworth

New York Times Service WASHINGTON - A plan by the Soviet Union to export Moskvich cars with Volkswagen engines to the United States is drawing criticism from the Reagan administra-

Under the project, being negoti-ated by Volkswagen AG and Volga Automotive Works of the Soviet Union, the West German car comoany would build a \$1 billion engine plant in Moscow, producing 250,000 to 300,000 1.8 liter engines

The engines would power a special export model of the Moskvich 2141, a front-wheel-drive hatchback that the Soviet Union expects to sell in the United States by 1990. The Soviets would finance the plant with export sales.

The move is the latest of a series by the Soviets to do more husiness with the United States and tap

Western technology, Professor Joseph S. Berliner of Brandeis University, in Massachu-setts, said that what the Soviet leader. Mikhail S. Gorbachev. "would ideally like to accomplish before he steps down from office a decade or two from now is an economy that produces industrial products of such quality that they could compete with those of any other na-

A Reagan administration official who asked not to be identified objected that the Soviet-Volkswagen transaction was structured in such a way that "the American market ends up financing a German export to the Soviet Union. We get nothing out of it."

An official at another depart-

ment, who also asked not to be identified, said, "The United States doesn't want to finance anyone's exports, certainly not the Ger-

West Germany has been running merchandise trade surpluses with the United States second only to those of Japan,

In addition, Bonn and Washington are in conflict over West Germany's refusal to spur domestic consumption and its recent credittightening moves that have contributed to rising U.S. interest rates and disquiet on Wall Street. Although the Volkswagen pro-ject could swell U.S. trade deficits.

there is little Washington can do to block it, officials acknowledged.

Because of human rights violations, Moscow does not qualify for the most-favored-nation tanffs that the United States applies to the imports of most other countries. But analysts said the higher tariff is unlikely to be much of a

Soviet cars would be liable for 10 percent duty, against 2 percent for Japanese or West German cars, a relatively narrow spread.

In an earlier attempt by Moscow to sell Lada cars in the United States, the Environmental Protection Agency refused to clear the

car's engine. Automotive analysts said the choice of Volkswagen as the en-

gine-maker was intended to lessen environmental objections. The choice also underscores fast improving commercial ues between the Soviet Union and West Germa-

ny as their political relationship has

warmed up. A Volkswagen spokesman in De-troit. Thomas E. McDonald, said the company had conducted negotiations over the engine plant last year hut that these were broken off. In recent weeks, he said, negotiations had resumed, but he declined to provide further details,

An official at the Soviet Embassy in Washington also declined to

Disclosure of U.S. anxiety over the Soviet-Volkswagen negotiations follows reports earlier this month of another major Soviet trade initiative that has rankled the administration and some members of Congress.

Moscow has offered to launch communication satellites of such companies as General Motors Corp. and General Electric Co. at a time when the U.S. space program is without rockets to send commercial satellites into space.

The two companies have asked the U.S. government to drop its ban on launches by Soviet rockets. American officials say they object because of fears that Western technological secrets could fall into Soviet hands. But some corporate officials said they suspect that another consideration is to maintain monopoly of the National

See SOVIET, Page 13

2d French Firm Accused **Over High-Tech Exports**

Chip-Making Machinery Sent to Soviet

By Steven Greenhouse

New York Times Service PARIS - A French company improperly exported advanced American chip-making equipment to the Soviet Union, U.S. officials have said. They said the transaction would improve Soviet military

carried out by the export arm of one of France's largest banks, So-cieté Genérale, and involved the shipment of tons of machinery aimed at giving the Soviet Union technology to make certain high-speed integrated circuits often used

in military applications.
U.S. officials protested that this transfer to the Soviet Union, which occurred from 1983 to 1985, violated rules formulated by the Western governments to limit the transfer of sensitive technologies to the Soviet bloc. 'This case provides enough know-how for the Soviets to use for 20 years," said Stephen D. Bryen, deputy undersecretary of defense

for trade and security policy.
This is part of a number of recent cases, involving Japan, Norway and France, in which Western officials believe security has been compromised by the improper transfer of sophisticated technologies to the Soviet Union and Eastern Europe. Several Western military offi-cials said the latest case pointed to

the need for oghter enforcement of technology transfer rules since this was the second improper technology transfer case iovolving a French company to come to light in two mooths. This summer, investigators disclosed that Ratier-Forest SA, a Paris-based machinery company, had improperly sold sophisticated machine tools to the Soviet

In the case of the chip-making equipment, it was not clear whether State Department said Friday. any export licenses were issued.

The military officials said the machinery would have enabled the production of a special type of computer memory called a bubble memory, which can hold data even if power is turned off. Bubble memories are also rugged and radiation resistant, and they are frequently resistant, and they are frequently used in fighter aircraft and guided hallistic missiles.

commercially made and traded, but could have military application for the Soviet Union or its allies.

U.S. military and customs offi-

chine tools that allowed them to make quieter submarine propellers.

According to L'Express, the viding the Soviet Union with a memory chip manufacturing plant aimed at making bubble memories, as well as gallium arsenide chips, a technology.

The technology transfer was disclosed on Friday in an article by

very-high-performance chip, U.S.,
French, and Luxembourg officials said, however, that they believe the L'Express, the French newsweckly, and confirmed by U.S. officials, who requested anonymity. It was all were inncovered and impounded in Luxembourg two years ago.

> The Express investigation said the technology transfer plan began with a French export company, So-gexport, a division of Société Gen-érale, which at the time was owned by the French government. A Sogexport division, Scientific Acces-sories, run hy Aimé Richardt, worked with a Silicon Valley company, Quad Group, to buy technology from various American compa-nies. Mr. Richardt and four others are on trial in Luxembourg for ille-gally shipping the materials.

Christian Amalric, president of Sogexport, told L'Express that "we had obtained French authorization to export this machine, which, at this time, was not inscribed on the Cocom list and freely left the Unit-ed States." He was referring to a list of sensitive materials drafted by 16 nations who are members of the Coordinating Committee on Multilateral Export Controls, known as Cocom. U.S. officials insisted that machinery of this sophistication was certainly on the Cocom list.

■ U.S. Officials in Europe Susan F. Rasky of The New York Times reported from Washington:

A team of U.S. export control officials will begin a tour of 14 European capitals this week, hop-ing to convince the Western allies to beef up their systems for controlling exports to the Soviet bloc, the

"We're talking about cutting the cials said the case was "very serious." But they said it was not as possible," said Allah Wendt, the
grave as the case in which a division
State Department's senior repreof Toshiba Corp. sold the Soviet sentative for stategic technology Union highly sophisticated ma-



All these Bonds having been sold, this announcement appears as a matter of

Minolta Camera Co., Ltd.

Osaka, Japan

DM 200,000,000 **Zero Coupon** Convertible Bonds due 1997

Issue Price: 100%

WESTDEUTSCHE LANDESBANK

COMMERZBANK

GOLDMAN SACHS INTERNATIONAL CORP. KLEINWORT BENSON

BHF-BANK

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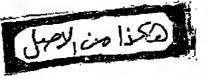
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New International Bond Issues

Compiled by Laurence Desvilettes

Coup. Price end Terms **ROATING RATE NOTES** £ 100 2015 ¾ 100 TMC Mortgage Over 3-month Libor until 1997, and ½ over thereafter Average life 5 to 7 years. Fees 0.40%. Denomination

HXED COUPON 1989 10 101 Noncallable, Fees 11/6. 1989 9% 101 Toronto Dominion Noncollable, Fees 1)6% Bank (Cayman) African Development DM 200 1994 7 100 98.00 Noncolloble, Fees 2%. 1992 6 100 97.45 Noncollable, Fees 2%, Chino 1993 10% Foresh Export Credit 101% Noncollable. Fees 17/26. First Austrian Bank 1989 111/4 101/6 Noncollable, Fees 11/%. Nippon Telegraph & 1992 1134 10114 Telephone Auc\$ 50 1990 1314 10136 ANZ Banking Group Noncollable, Fees 1974 EQUITY-LINKED Bell Resources 1997 5½ 100 Redeemable at 134.72 in 1993 to yield 10%. Convertible into shares of the Broken Hill Pty at Aus\$12.36 per share and at Aus\$1.3631 per dollar, Fues 25%. Financial Services

Noncollable. Each \$5,000 note with one warrant exercisable into company's shares at 1,446 yen per share and at 145,10 yen per dollar. Fees 284%. \$100 1992 31/4 100 Hitachi Maxell \$70 2003 1½ 100 Semiconwolly. Callable at 103 in 1993. Convertible at 2,951 yen per share and at 144,50 yen per dollar. 21/7%. Hokkai Can 1992 open 100 Coupon indicated at 314%. Noncollable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 25%, Terms to be set Oct. 21. 1992 open 100

Coupon indicated at 399%, Noncallable. Each \$5,000 note with one worrost exercisable into company's shares at on expected 29% premium. Fees 24%. Terms to be set Oct. 19. \$100 1992 open 100 Keio Teito Electric Coupon indicated at 34/%. Nancollable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 24/% premium. Fees 24/%. Terms to be set Oct. 21. Noncollable. Each \$5,000 note with one warrant exercisable into company's shares at 3,362 year per share and at 145.10 year per dollar. Fees 24%. Korakuen Company \$50 1992 314 100 \$70 1992 31/4 100 Noncalfable. Each \$5,000 note with one warrant exercisable into company's shares or 1,179 yen per share and of 145,10 yen per dollar. Fees 254%.

\$30 1992 open 100 Matsuyadenki Coupon indicated at 31/1%. Noncollable. Each \$5,000 nate with one warrant exercisoble into company's shares at an expected 24% premium. Fees 24%, Terms to be set Oct. 22. Nisshin Oil Mills \$70 1992 334 100 Nancallable. Each \$5,000 note with one warrant exercisable into company's shares at 995 yen per share and at 143,70 yen per dollar. Fees 214%, Callable at 103 in 1990. Convenible into Arizona Public Services Co. shares at \$34% per share. Fees 2½%. Pinnacle West Capital \$75 2002 10

Naccallable, Each \$5,000 note with one warrant exercisable into company's shores at 2,306 yen per share and at 144.50 yen per dollar. Fees 214%. Noncollable. Each \$5,000 note with one warrant exercisable into company's shares at 3,885 year per share and at 144.50 year per dollar. Fees 24%. Taka-Q \$100 1992 3½ 100 £ 50 2002 open 100

1992 31/6 100

100.50 Coupon indicated at 4% to 5%. Redeemable to yield 9 to 94%, Callable at 101 in 1993. Conventible into Avis Europe PLC shares at 447 peace per share, a 15.20% premium. Fees 25%. Terms to be set Oct, 23. Recleanable at 135.318 in 1992 to yield 10.48%. Convertible into shares of the Broken Hill Pty or Aus\$12.566 per share and at Aus\$2.2727 per pound, Fees 25/%. 1997 Financial Services Mayne Nickless £40 1994 7 Collable at 101 in 1992, Conventible at Aus\$7 per share and at Aus\$2.28 per pound, Fees 2½%. 100

Bell Resources Aus\$ 200 1997 73/4 100 mobile of 130.872 in 1992 to yield 12.56%. Coninto shares of the Broken Hill Pty of Aus\$12,463 per share . Fine 25% .: Financial Services

STOCKS: Baker Plays Down Plunge and Kaufman Predicts a Steadying

(Continued from Page 1)

Finance

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change its exchange-rate policy surplus countries jack up their in terretain that worldwide on the expectation that with our trading partners," as required by the Louvre agreement on

currency stability reached in Feb-York Times story on Sunday that ruary among Western industrial

Mr. Baker made similar comments Saturday in an interview on istration official, who declined to Then he added, in words that appeared aimed at the governments in Bonn and Tokyo:

The Treasury secretary insisted

Cable News Network. He had not ed that the rises in German interest rates could slow the economies of both countries and that they indirectly have been countributing to the market pressures start pushing the Cable News Network. He had not- be named, said Mr. Baker's reboth countries and that they indi-rectly have been contributing to the market pressures start pushing the The Treasury secretary insisted on the other hand, we will not rectly have been contributing to the falling stock prices on Wall Street.

Kaufman's main activity, with profit of \$8.3 million in 1986 on

revenue of \$90 million. Bati-Service

reported profit of \$5 million on \$66

million revenue; office and apart-ment building produced profit of

\$2.8 million on revenue of \$15 mil-

lion, and retirement homes,

\$700,000 profit on revenue of \$3

U.S. marketing stretegy in

France's construction industry

HOMES: California Firm Marries French, U.S. Styles Upscale home building is still

strategy in Re-de-France, where it now centers all its operations, is Between 1984 and 1986 Kauf-closely linked to the RER lines, the man & Broad-France's annual regional express train network. Ile-le-France comprises Paris and sur-

ounding districts.
"Customers who accepted to live far from Paris 10-15 years ago." Mr. Nafilyan said, "today want individual homes e bit closer to Paris, even if population is denser and parcels are smaller."

In 1979, Kaufman began selling individual homes to institutional investors, mainly insurance companies, that had traditionally bought apartment houses in the center of

La Concorde, which bought into a village of individual homes in Epone next to Mantes, west of Paris. Since 1979, 30 percent of indi-

vidual home sales have been to in-

surance companies. Between 1984 and 1986 Kaufearnings rose from \$5.8 million to \$16.8 million. During this period, the company bought Bati-Service, e builder of entry-level homes, and began constructing apartments, offices and senior citizens homes.

To run these operations, it created a new division, Kaufman & Broad Développement, which is headed by Henri Caro, formerly vice president of Bouygues' real es-

tate arm. Financial risk is low in these ventures since Kaufman purchases land on option, and sells the office or apartment buildings to investors before beginning construction.

Kaufman is currently building

The Soviets have also concluded

BNP to Buy Control of U.K. Broker

PARIS - Banque Nationale de Paris said Saturday that it was

aking a majority stake in London-based securities broker Ark Securi-

ties, to strengthen its global equities business.

Ark, which already had a working relationship with the French government-owned bank, was seeking to reinforce its capital shead of its planned listing on the London Stock Exchange, BNP said. It did

Eric Lorsignol, a BNP director who is to be chairman of Ark, said

the purchase would develop BNP's European equities expertise. The London firm will also benefit from BNP's large international financial network and its British branches, BNP PLC and BNP Capital

BNP recently announced that it would take a majority stake in one of the smaller Paris brokers, du Bouzet, taking advantage of planned

It also has taken a 75 percent stake in ABS White & Co., an Anstralian securities house based in Sydney, and has applied to open a securities house in Tokyo.

(Reuters, AFP)

not give an amount for the transaction.

Rislation to open brokers' capital to outsiders.

a securities house in Tokyo.

ent company.

Soviets.

"I think marketing is becoming universal," Mr. Broad said. "Per-haps Americans had an advantage PARIS - The French govern-20 years ago. There are fewer dif-ferences today." ment has appealed to novice shareholders to retain their stocks and allow the government's huge priva-tization program to continue, de-spite plummeting share prices in Paris last week. SOVIET: U.S. Assails Plan to Export VW-Powered Cars (Continued from first finance page) one with Pizza Hut, a subsidiary of Acronautics and Space Administration, the U.S. space agency.

One with Pizza Hut, a subsidiary of sten carbide cutting tools in Estonia; and Finnair to renovate the pizza establishments in Moscow.

Berlin hotel in Moscow.

now being successfully adapted by local companies, who have never had the backing or financial resources of e California-based par-

On the Paris Bourse, the widely watched CAC index dropped about g percent last week, to 369.6 from

Shareholders

Agence France-Press

402.9 the previous Friday. Volkswagen is only one of more than 100 Western companies with whom the Soviets are discussing joint ventures with Babcock PLC with whom the Soviets are discussing joint ventures with Babcock PLC of Britain to manufacture industrial refrigeration equipment, filed the Soviet economy.

About 100 Western companies with joint ventures with Babcock PLC three as paragons, in effect saying look what foreigners together with the Soviet people can do why why an Italian bank-three are using joint ventures as paragons, in effect saying look what foreigners together with the Soviet people can do why why why and Italian bank-three are using joint ventures as paragons, in effect saying look what foreigners together with the Soviet are using joint ventures as paragons, in effect saying look what foreigners together with the Soviet people can do why the same people with the Soviet people can do with the Soviet people can do why the same peop "The Soviets are using joint ven-The drop comes with the pro-gram of seiling off 65 state-owned industrial and financial companies not yet half completed. The plan is the cornerstone of the conservative A half-dozen such ventures have ing syndicate; Sandvik AB, a I. Huhs, an international lawyer already been concluded, including Swedish company to produce tung- who advises U.S. multinational government's free-market policies. Shares in recently privatized companies on relations with the companies fell sharply. Some, such

as Banque Paribas, dropped to their original selling price. Finance Minister Edouard Bal-"The ultimate objective is to make Soviet manufactured goods more salable in the West," he said. ladur called Saturday on "the mil-lions of French who have pur-One of the Soviet Union's immediate objectives, American officials chased stocks in privatized said, is to obtain most-favored-nacompanies" not to be swayed by the price falls, noting they had invested for the longer term.

The U.S. government estimates that Soviet exports to the United States would grow by a relatively modest \$20 million to \$100 million Treasury Bonds annually if it were granted such status, according to Franklin J. Vargo, deputy assistant secretary of commerce for Europe.

Over the past decade, U.S. trade with the Soviet Union has been Close
Will-cope
Bild Ask Yield vield
88 2272 98 2022 9.12 8.90
96 402 96 202 9.67 9.41
94 402 97 402 98 19 53
97 402 97 722 10.07 9.77
90 10.27 90 10.21 10.19 9.90
92 10.2 92 10.21 10.31 10.06
87 402 87 402 10.22 9.93

relatively stagnant

U.S. exports have averaged \$2.5 billion per year, mostly in agricultural products, and imports from the Soviet Union have averaged

Robert R. Prechter has earned a reputation as one of the most accurate stock I'm doing my job correctly. market forecasters in the United States, Q. The stock market looks shaky to many having correctly predicted almost every investors. Are the big price declines that we

major turn in stock prices since the bull market began in August 1982. Ironically, some critics say Mr. Prechter's record for accuracy is partly responsible for the have seen this month trying to tell us that market's current woes. After he warned subscribers to his newsletter, The Elliott Wave Theorist, that the market was ripe for a major correction, the Dow Jones Industrial Average dropped 91 points on Oct. 6. He spoke with John Meehan, editor of the IHT's Personal Investing section, about the market's recent downturn and about his devotion to the Elliott Wave Principle. This theory, named after Ralph N. Elliott, the accountant who devised the principle in the wake of the 1929 stock market crash, holds that the

Q. There are those on Wall Street who say you share some responsibility for the market's recent problems because of your recent bearish views. Do you believe this claim is justified?

market moves up and down in predict-

able, recurring waves.

A. No. The market is much bigger than any

MONDAY Q&A

U.S. Stocks Have Yet to Crest, Elliott Wave Theorist Says

the buil market is over? A. Not in my opinion.

Q. Can you define the Elliott wave theory? A. The wave principle is simply a detailed description of price and volume patterns that recur in the market. Elliott did his research empirically. He studied the price charts of stocks and commodities over varying time periods, some very short, ir-long periods, as well as daily and monthly charts. He soon realized that there are a limited number of patterns and that each displays certain characteristics inter-nally and also indicate which patterns follow. From this method, he developed an objective approach to the market.

Q. Are you saying that past is prologue? A. Yes, the basis of market movements is mood changes, and the fundamental na-ture of crowds doesn't change. It goes back and forth between optimism and pessimism, always from one extreme to the

one analyst and will go wherever it pleases Q. You had been bullish until earlier this regardless of me or anyone else's recom- month when you warned your subscribers

to around 2,300. What made you change your mind?

A. It wasn't just one thing. There are four indicators that are pretty good predictors: price patterns, which under the wave prin-

ciple take various forms and shapes; time cycles that occur with some regularity between the tops and bottoms of markets; market movements, namely the speed and breadth of price movements, and investor psychology. The 160-point rally that began Sept. 22 and took the Dow to 2,640 displayed the same technical characteristics in terms of investor psychology and price momentum that in the past have been associated with a correction.

Q. Since market psychology is so important to your forecasting method, what can you say about the market's current mood and what does this mean for stock prices' A. The market was complacent and optimistic coming into the Oct. 2 peak. But the big declines, finally in the past couple of days, have begun to instill some fear among investors. This is an initial hint that the market is closer to its bottom than to its top. People who are optimistic already have their money in the market and vice versa near the bottom.

Q. Does this mean this latest correction is just about over? A. Let's say I believe most of the price get that make you good.

mendations. Its recent move just means that the failure of the Dow to break damage is over. Markets rarely turn on a through 2,640 meant that it would retreat dime and go ctraight up. They usually spend some time at the lows. Time may have to pass before another rally. This is an

interim period that is likely to end sometime in the fourth quarter. Q. I gather that you may be changing your opinion about the stock market. Do you believe you will be telling your subscribers

in the November issue of your newsletter to get back into the market? A. Well, let's just say I'm not prohibited from sending out a bulletin before Novem-

Q. Once the market is over this rough period, what is your long-term forecast?

A. I'm still very butlish looking out over the next 14 months. I believe the Dow could reach 3,600 to 3,700 before this bull market is over. I've been saying this will happen before the end of 1988.

O. What about after 1988? In the past you have warned of a devastating stock market correction and an economic depression. Do you still believe this?

A. After 1988, I think we'll see the biggest market decline in 60 years. Usually depressions follow. But that's just one person's view. No one has a road map to the future. Being a market analyst is a lot like batting in baseball; it's the percentage of hits you

MARKETS: Investors Take Their Own Steps to Reduce U.S. Trade Deficit U.S. Taking Part

(Continued from Page 1) villing to intervene heavily to support the dollar. Both central banks are already trying to restrain ex-pansion in domestic money supply,

partly the result of earlier currency ntervention.
Thus, dealers anticipate that speculators this week will turn their attention to the foreign exchange market. The comment from U.S. Treasury Secretary James A. Baker 3d last week that there could possibly be some lowering of the dollar's trading range is expected to be tested in the currency markets this

The question then is whether the central banks simply widen the target range as hinted by Mr. Baker, or whether the market forces an admission that the agreement to stabilize currencies really lacks

At stake is whether the dollar is gently managed lower or whether it heads for a "hard landing" - the disorderly decline triggering a world recession that policy makers have been seeking to evoid since the dollar began its decline in 1985.

Mr. de Vries does not dispute claims that it may make little difference whether the United States exports goods and services to bal-ance its trade or whether it finances its trade deficit by selling stocks, market is - by pushing up interest have not been."

analysts and another senior admin-

dollar down somewhat against the

mark. They also said a decline of the dollar against the mark could

be expected to mean a decline against many other currencies, too. In Sunday trading in the Middle East, the dollar fell about 1.5 pfcn-

nigs against the mark following the New York Times report, foreign exchange dealers said. In late after-noon the dollar was quoted at 1.7835 DM, after closing in New

York on Friday at 1.7980 DM.

Mr. Baker said again that the

administration will not accept the

Largest Corrections of Postwar Period

Following are the 10 biggest percent corrections of the Dow Jones industrial average since the end of World War II.

Date	Beginning Price	End Price	Percent Change
Dec. 3, 1968-May 26, 1970	985.20	631.15	·35.94%
March 13-Oct. 4, 1974	891.57	584 55	.34 44
Dec. 13. 1961-June 25,1962	734,90	535.75	-27.10
Sept. 21, 1976-Feb. 28, 1978	1,014.78 -	742.11	-26.87
Feb. 9-Oct. 7, 1966	995.14	744.31	-25.21
April 27, 1981-Aug. 12, 1982	1,024.04	776.91	-24 13
May 29-Oct. 9. 1946	212.50	163,12	-23.24
Oct. 26-Dec. 5, 1973	987,05	788.30	-20 14
July 12-Oct, 22, 1957	520.78	419.78	-19.39
Jan, 11-Aug. 22, 1973	1,051.69	851.89	-19.00

investors.

What counts, he said, in an interview, is that financial markets which one way or another must finance the deficit - have seized on the trade imbalance as the fountainhead of instability and are demanding an adjustment. Since poli-ticians are not providing that, the liey changes were made and they

bonds and real estate to foreign rates and thereby slowing the do-mestic demand that is helping create the trade imbalance.

The market, he said, "sees better than politicians" that February's Louvre accord to stabilize ex-

"There is no substance to maintaining the Louvre accord so long as these fundamental policies are not in place," be said. "There is no idamental improvement in the U.S. trade deficit in the pipeline."

According to Mr. de Vries, Washington's failure to cut its budget deficit as promised last February is fueling overly rapid growth in domestic demand, which he estimated currently is expanding at a 3.5 to 4 percent annual rate. This leaves U.S. industry working full time to satisfy the demand — with no time to look for exports — and importers with a booming market where rising prices are little obsta-

In this environment, he said "the dollar could drop another 20 percent in value and the U.S. trade deficit would still not improve. There's just no room for export growth" when the domestic market

At this point, Mr. de Vries said "we need an increase in the discount rate not to defend the dollar change rates "was premature — but to curb domestie demand. The that it was intended to work so long market wants a correction in the trade deficit" and by driving rates higher it "is forcing down domestic

In Argentina Loan

Compiled by Our Staff From Dispatches WASHINGTON - The Treasury Department has announced that the United States will take part in providing a \$500 million short-

term loan to Argentina. A spokesman for the Treasury said Friday that the U.S. share of the loan was between \$200 million and \$250 million.

Last Wednesday, Argentina froze wages and prices as part of its effort to control inflation and promote expansion. (AP, Reuters)

Planting Time

The harvest moon has always presided over amateurish solling rushes in the mar-ket—people sensing a time of termination. Professionals do much of their shopping for tomorrow's leaders during these flushout Intel at \$18 last outurn, for example, and now while it reacts again from \$62 to pare for a drive which Indiao says will plant maney as the public pulls it out, write, phone or telex for complimentary reports.

Indigo "kadigo is not a licensed broker, Avda Palua de Maflorca 43, Terremotioos, Malaga, Spain. Telephone 34-52-389600 - Telex 79423.

WIN \$ MILLIONS!

Strike it rich in Canada's Favorite Lottery. You pick your own numbers playing Lotto 6/49

That's right ... you can win millions by picking your own numbers playing Lotto 6/49—Canada's most popular Government Lottery. In fact, last year Lotto 6/49 paid out \$354,736,589.00 in ALL CASH PRIZES. And it's all free of Canadian taxes. There are two draws each week for a grand prize guaranteed to be not less than \$1,000,000.00 with many millions more in secondary prizes. Grand prizes often run into the millions and have been as high as \$13,890,588.80. Imagine what you could do with that much cash! This is your opportunity to find out because now you can play the lottery that's making so many millionaires in Canada.

WHAT IS LOTTO 6/49?

tax increases Congress is proposing to help reduce the federal budget deficit. "I think that the writing of Lotto 6/49 is the official Canadian version of these tax packages had a major effect in what's happened to the stock market over the past three or four days," he said, noting that corporate taxes would rise.

Lotto 649 is the official Canadian version of Lotto—the world's most popular form of lottery. It's the lottery in which you pick your own numbers and it's called "6/49" because you select any 6 of 49 possible numbers from 1 to 49. Your numbers are entered in the Lotto 6/49 computer system end if they match the six winning numbers chosen in the draw-you win the grand prize. Or if you have only 3, 4 or 5 numbers correct you win one of thousands of secondery prizes available.

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5TH PRIZE	965,112	\$10.00	
TOTAL PRIZES 1,014,756	TOTAL PRIZE VALUE \$37,443,228,10		

PRIZE BREAKDOWN (Actual Sample of One Oraw

*All prizes quoted in Canadian doller 1st, 2nd, 3rd, and 4th prizes are calculated on a percentage of the total prize pool. Since the prize pool fluctuates from draw to draw, the size of the prizes will vary from the size of the prizes shown above.

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SPORTS

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1 Oscar in "The Odd Couple 5 Counterfeit 9 Take aback 13 Radioactivity

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projections 56 Group of troops phenomenon 59 Make pastry

22 Korean border 60 Kiln 61 Run-through river
24 Cardinal point O New York Times, edited by Eugena Maleska

SPORTS BRIEFS

Tanzanian Is Winner of Beijing Marathon

BEIJING (UPI) — Juma Ikangaa of Tanzania broke away in the final stages to win Sunday's seventh annual Beijing Marathon. Ikangaa, 27, finished the 26-mile, 385-yard (42.19-kilometer) course m 2 hours, 12 minutes and 19 seconds for his first victory in the race through the ceoter of the Chinese capital. Ethiopian Negasi Dube was second to 2:12:49 and Brad Camp of Australia third in 2:12:52.

It was the first time since Hideki Kita's 1984 victory that Japanese runners have the first time since Hideki Kita's 1984 victory that Japanese runners have oot finished one-two, but they still hold five of the event's top 10 clockings.

Ioka Titlist of WBC's New Strawweight Class

OSAKA, Japan (AP) — Hiroki loka of Japan won a unanimous decision over Mai Thonburifarm of Thailand here Sunday to become the first champion of the World Boxing Council's new strawweight class. There were no knockdowns in the 12-round light.

The WBC set up the 47.6-kilogram (104.7-pound) division last month and ordered Mai and loka to light for the title. Ioka, at 18 the youngest Japanese boxer ever to wio a world crown, will now defend against South Korean Lee Kyung-yung.

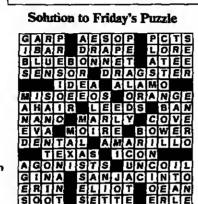
Pate Leads O'Meara by 1 Shot in Disney Golf

LAKE BUENA VISTA, Florida (UPI) — Steve Pate, seeking his second victory in three weeks, moved into a one-stroke lead after Saturday's third round of the Walt Disney World Classic golf tournament.

Pate, who won the Southwest Classic earlier his month, had two front-nine eagles en route to a 65 and a total of 17-under-par 199, one shot ahead of Mark O'Meara, the leader through the first two rounds. O'Meara had a 69 Saturday.

Morris Hatalsky, Andrew Magee and David Frost were at 14 under, while Mark

McCumber, Mac O'Grady and Loren Roberts were another stroke back.



Quotable

 Derland Moore, 35, a former New York Jet defensive tackle, after showing up at training headquarters for replacement players: "I'm ready. I have a

pulse." (LAT)

after his team was beaten, 52-0, by me. When you play the kind of athletes the owners wanted a six-year agreement, that Florida has, you have to bring bigger bullets."

(AP) lawsuit, just over a year after a federal

VANTAGE POINT/Michael Janofsky

End of the Strike, New Phase of the Battle

NEW YORK — The end of the players' surike against the National Football League owners last week was the beginning of a new phase of the labor dispute, one in which the pressures may intensify and the perception of management as the winner may change.

By filing an anti-trust lawsuit against the owners, in concert with sending the players back to work, the union has raised what it considers a hammer that could ultimately smash the system it was unable to change during the last six months at the bargaining table. If that were to happen, although it could take years, the football industry would be radically changed.

"I knew, when everything else failed, we had take a different course of action." Gene

to take a different course of action," Gene Upshaw, the union's executive director, said Saturday, discussing the suit. "Now, players from all over are calling to say they support what we've done."

How did the dispute reach this point? Why was so little accomplished in bargaining before and during the 24-day strike? Why are some owners now expressing serious concern over what happened, despite the fact they still embrace their initial positions?

The answers stem from one basic assump-tioe: The union's bargaining proposals were so repugnant to the owners that they stood firm, united in their resolve not to give in Conversely, 90 percent of the union went on strike, but the defections grew almost daily.

The union wanted a system that would enable players to be free agents at least once in Tony Jacklin, captain of the Euro-pean Ryder Cup team that recently the existing system, in which teams maintain defeated the United States: "After you first-refusal rights and get compensation for learn to hit the ball, golf is 95 percent losing free agents. The imioo wanted a pension between the ears. Either you handle it or you don't.

(AP) coach George Henshaw of Tulsa.

Coach George Henshaw of Tulsa. tee the level of benefits. The union wanted a Florida: "The outcome doesn't shock three-year agreement. Once the strike started,

Now the league is confronted by another lawsuit, just over a year after a federal jury found it to be a monopoly in the case involving the U.S. Football League. The union is claiming that, in the absence of a collective bargaining agreement, players whose contracts expire Feb. 1 — almost 300 of them — can become free agents. Players on strike through Thursday who were refused pay for last week, and the opportunity to play Sunday, are angry. And owners are worried.

The union has raised what it considers a hammer that could ultimately smash the system it was unable to change during the last six months at the bargaining table.

"We could eventually be big losers," Pat Bowlen, the owner of the Denver Broncos, said recently. "As I see it, there were no winner and who ultimately wins remains to be seen. I hope that when things cool off some approaches will be made to negotiate again. But I'm very concerned that's not going to happen."

Other owners have expressed concern over the latest developments, including one who urged the management council to take a more conciliatory attitude into what became the last round of oegotiations last week.

In the view of this owner, who asked not to be identified, management had the advantage in bargaining until then. Yet it was lost, he said, when league negotiators rebuffed several new

ideas put forth by the union, including one that would have created a system of free agency. "I was hoping there would have been more of an exchange of ideas," the owner said. "We did just the opposite."

Amsterdam

At that point the talks broke off, and all subsequent efforts were directed toward reachsubsequent efforts were unterest. But when that ing a back-to-work agreement. But when that failed as well. Upshaw sent the players back without an agreement and the union proceeded

At the same time, the owners infuriated players by ruling that those who hadn't reported by I P.M. Wednesday would not be reinstated until after the weekend's games — and by raising the roster limit to 85 players, 40 players more than usual, from Monday through 1 P.M. next Saturday. While that will give coaches a chance to choose from among the regulars and those who played during the 24-day strike, it also created the possibility of confrontations

between them. If some owners are worried about the league defending itself in yet another anti-trust case. Jack Donlan, executive director of the management council, took a more moderate view. He said he had expected the union to file suit because the owners' refusal to grant free agency or change other aspects of the system left union eaders no alternative.

Even so, he called the suit "almost a peripheral issue," and predicted that the dispute would ultimately be resolved at the bargaining table.

When you looked at their game plan, you knew they had no intention of bargaining until after the expiration of the contract," be said the other day, referring to the Aug. 31 expiration date. "Then, they were going to see if they could get what they wanted, and if they couldn't, they were going to the courtroom to get it."

He was right about one thing. The union felt it had no alternative.

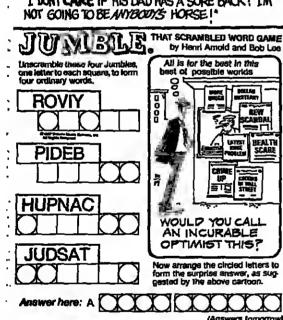
The owners showed from the beginning they will refuse to change the system, that they will never allow the players to be free no matter how long they played," said Dick Berthelsen, the union's general counsel. "Since they kept saying 'never,' the only way we could change it is by going to court."

And now that they have, union leaders may be in less of a hurry to get back to the table.

PEANUTS

DENNIS THE MENACE 10-19

"I DON'T CARE IF HIS DAD HAS A SORE BACK! I'M



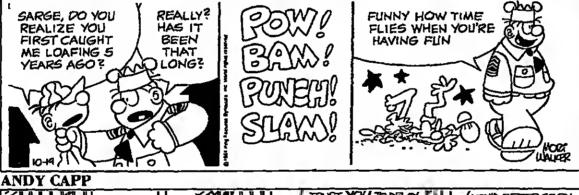
Jumbles: ARBOR JUMPY BEFALL PLOVER Answer: The one thing many a man wants after he has all the money he needs—MORE

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THE SCHOOL BUS RAN AND AN APPLE WHAT DO YOU HAVE? AND SOME CARROTS. OVER MY LUNCH BOX! SANDWICH. BLONDIE HAT'S WHY NOBODY BELIEVES BUT IT'S REALLY) I'M NOT WELL HARDLY







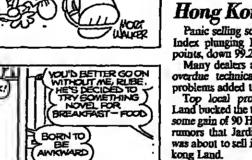














The wider-than-expected U.S. trade deficit for August, which hit Wall Street and the dollar, prompted widespread losses last week on the London Stock Exchange.

The Financial Times industrial share index

ended 45.3 points down on the week, at 1,812.9. Trading was suspended on Friday after bad weather in southern England caused widespread power failures.

Losses were pared for equities by good eco-nomic indicators on producer prices, unemployment and average earnings, and by com-ments by the chancellor of the Exchequer, Nigel Lawson, excluding an early rise in British interest rates.

All sectors were affected, notably pharmacenticals, after disappointing annual results from Glaxo. Midland, Royal Bank of Scotland, Standard Chartered and Kleinwort Benson numbled on the Bank of England's undertaking to protect British banks from foreign take-

The recent upturn in Milan stocks was halted last week by the drop on Wall Street, but purchasing interest Tuesday and Thursday contained the fall over the week to 0.44 per-

the future privatization of merchant bank Me-diobanca, in which the private and public sec-tor will each hold 20 percent with the rest being sold to small investors at the market rate.

Mediobanca shares lost 4.70 percent after

Paris

JPM DAYPS 10-19

Paris stock prices, buffeted by higher interest rates, poor French and U.S. economic indexes and Wall Street's phunge, dropped 8 percent last week, one of the Bourse's worst percent in five acceptance of the Bourse's worst

The CAC index finished at 369.6, down from

The market has dropped by 20 percent since the start of the year, despite the 17 percent gain by the end of March that had taken the CAC Amsterdam stocks suffered substantial losses last week on disappointing U.S. trade figures and a general rise in world interest

> the value of shares. Analysts said that liquidity has been dried

On Friday, amid appeals for calm by politicians and Bourse officials, prices made a 2 percent recovery. Analysts said there are now a number of bargains to be found, following the big shakeout of the last few days.

WORLD STOCKS IN REVIEW / Via Agence France Presse

The Frankfurt stock market, hit the previous week by the government's proposed withholding tax on investment income, fell further last

The Commerzbank index lost 40 points to close at 1,896.6 on Eriday, against 1,936.6 the previous Friday.

Negative factors included the announcemeni Wednesday by the Bundesbank of an increase from 3.75 percent to 3.85 percent for securities repurchase agreements, the dollar's weakness and rumors that the central bank might raise the discount rate at its next meet-

Volume on the eight West German stock markets was 15.18 billion DM for the week, against 15.04 billion the previous week.

Autoche marks, while Dainler was up by 26 billion the previous week.

Autoche marks, while Dainler was up by 26 billion the previous week. and VW by 10:50. In chemicals, BASF dropped 3.70 DM and Bayer 6.50.

Hong Kong

Panic selling sent Hong Kong's Hang Seng
Index plunging Friday to finish at 3,783.20
points, down 99.22 on the previous week. Many dealers attributed the loss to a long overdue technical correction. Wall Street's problems added to the confusion.

Top local property company Hongkong Land bucked the trend Friday to score a handsome gain of 90 Hong Kong cents, on renewed rumors that Jardine Matheson, its associate, was about to sell its 25 percent stake in Hong-

Cathay Pacific closed at 8.50, down 40 cents, Cheung Kong finished at 12.50, down 60 cents, and China Light at 27.40, down 180 cents.

Milan

The Milan Stock Exchange Index closed at 910 points, after the previous week's 914.

The other big factor in market sentiment was

late profit-taking, but two of the bank's large shareholders rose, Banco Roma by 2.57 percent and Comit by 1.66 percent.

eeks in five years.

402.9 the previous Friday.

index to a record high.

More than 200 billion francs was wiped offf

up by the government's privatizations, listings on the Secondary Market and various market calls for funds.

Singapore

The Singapore stock market fell relentlessly last week, following the trend elsewhere. The Straits Times Industrial Index closed at 1,392.42 points Friday, down 61.88 points from the previous week.

Expected economic growth of about 8 percent for Singapore for the last quarter of the year and an anticipated Malaysian budget announcing lower corporate taxes failed to boost market sentiment. Turnover for the week dropped about 12

percent to 87.3 million units valued at 302.5 million Singapore dollars, around 5 percent less than the previous week.

Malaysia Mining topped the list of active shares, closing 4 cents higher at 3.12 on numover of 5.1 million shares, on a strong showing by its Australian associate company, Aston Mining.

Tokyo Prices were mixed on the Tokyo Stock Ex-change last week. The 225-issue Nikkei Stock Average advanced 27.97 yen to close Friday at 26,366.74 yen, while the composite TSE index of all issues fell 5.27 points to close at 2,152.98.

The market started weakly as investors wor-

ried about a possible hike in interest rates and the rapid pace of price advances, but gained strength Tuesday and Wednesday, as investors sought giant-capital and high-tech issues.

However, successive record falls on Wall, Street, together with uncertainty over U.S. interest rates, pushed the market down on Thursday.

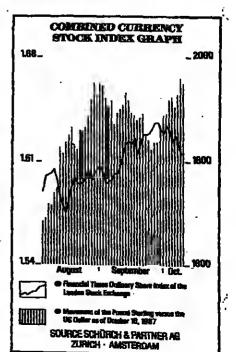
day and Friday. Many brokers said the market was strong enough to absorb shocks from New York, and added that it appeared to have gained momen-

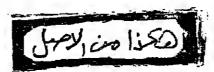
tum from the recovery of corporate earnings. Zurich

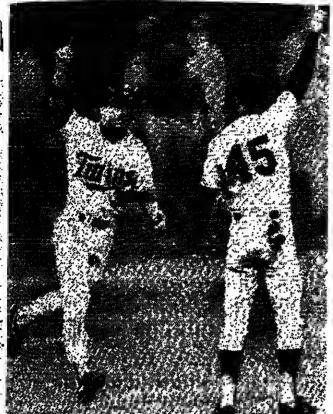
The Zurich stock market fell last week following the plunge on Wall Street. The Credit Suisse index finished at 629.5 points, against 637.3 a week earlier, and the Swiss Bank Corp. index at 706.1 against 723.1.

Zurich bankers generally said they thought Wall Street would stabilize now, helping the outlook for Znrich. Most stocks moved lower last week, particularly banks and insurance companies. Union Bank of Switzerland lost 185 francs to finish at

4,815 on Friday, Credit Suisse 110 to 3,390, and Zürich Insurance 325 to 7,100.







Dan Gladden, left, showing a glad hand after his basesloaded homer put the Twins ahead, 7-1, in the fourth inning.

Twins Open Series With 10-1 Thrashing of Cardinals

By Michael Martinez

New York Times Service

MINNEAPOLIS — There were banners hanging everywhere Saturday night, and lit-tle white "homer hankies" swirling in the air and a din in every corner of the Metrodome. The Minnesota Twins seemed to thrive on it. They have been maligned because of their inferior record and ridiculed because they play baseball indoors, but now they have a one-game lead in the 84th World Series.

The Twins combined power from two unlikely sources and superh pitching from Frank Viola, as they routed the St. Louis Cardinals, 10-1, in the opening game of the four-of-seven-game Series.

Dan Gladden, an outfielder known more for his speed on the bases than the heft of his bat, hit the first Series grand-slam home run in 17 years and drove in six runs. Viola, who was supposed to be the best man at his hrother's wedding in New York, allowed the Cardinals five hits through eight innings.

His bases-loaded homer was the 13th in Series history, and it came on a night when the Twins had 6 walks and 11 hits, blasting the ball from one corner of the echoing plastic-carpeted Metrodome to another. "No. I don't think it was the crowd," Whitey Herzog, the Cardinal manager, said of the roaring fans. "It's loud, I'll say that. I don't want to blame the dome for losing the ballgame. They just beat us — a good old-fashioned tail-kicking, that's all."

championship series in five games over Detroit, scored seven runs in the fourth inning and two more in the fifth on Steve Lombardozzi's two-run homer off Bob Forsch. They

And then Viola breezed, perhaps inshoulder in right field.

defeat at the Metrodome since May 22. "1

The Cardinals scored a run on a bloop double by Jim Lindeman in the second and

Viola, who retired 16 of 18 batters after Cardinals.

struck him out. He threw 100 pitches, did dome. Gary Gaetti was credited with a not walk a batter and struck out five before double at the end of the fourth when nei-Keith Atherton worked a scoreless ninth. ther Vince Coleman, the left fielder, nor The Twins, who rose from the role of Willie McGee, the center fielder, spotted underdog to win the American League the hall against the gravish-white ceiling. "It's tough here." said Ozzie Smith, the

WORLD SERIES: GAME 1

knocked out the Cardinals' left-handed starter, Joe Magrane, who faced five batters bere and visit, whether it's I or 2 times or 9 in the fourth without getting an out.

St. Louis shortstop. "Any time you come bere and visit, whether it's I or 2 times or 9 or 10, you can't get used to it. In that way, it's definitely an advantage to them.

ter anything."

"I felt totally in control of the game, but I didn't let any letdown happen," said Viola, who has had 10 victories without a overall record of 85-77 is the second-worst overall record of 85-77 is the second-worst world Series participant. Only still had to pitch my game. I pretended it was 0-0 and approached it that way."

But it was not 0-0. It was 7-1 in the fourth, 9-1 in the fifth and, finally, 10-1 in the fewer victories.

But this is a team that plays precisely as its manager, Tom Kelly, says it does. "We do the best we can," he has said all but

Magrane, only the eighth rookie ever to The Cardinals, who won their playoff start a World Series opener, appeared jokes than his leadership.

one more in the third. He made rune toughness. straight pickoff throws to first with Gladden on base in the third, then did not throw there again, and Gladden stole second easily. But he did not advance any farther.

Hrbek, the only left-handed hatter in the Minnesota lineup.

Hrbek, the only left-handed hatter in the but then I decided against it." Minnesota lineup.

Herzog did not hesitate to pull Magrane spired by the banner that read, "Frankie "They did everything right," he added after he walked Lombardozzi, the No. 8 Sweet Music Viola" hanging over his with some resignation. "We couldn't mushitter in the order, on five pitches. Herzog hitter in the order, on five pitches. Herzog called for the 37-year-old Forsch, hut the thunder didn't stop.

Tim Laudner delivered a single that

made it 3-1, and then Gladden crushed a 1-2 hreaking ball 386 feet (112 meters) over the barrier in left, turning it into a 7-1

The last World Series grand slam came in 1970, when Dave McNally, the Balumore pitcher, hit one against Cincinnati. Gladden enjoyed an exceptional playoff, hitting 350 and batting in five runs, but he was overshadowed by Guetti and Bruna run-scoring groundout by Tony Pena. daily since the postseason began, and Sat-But they were never able to unload against urday night their best effort crushed the ansky, who combined for four homers and 14 RBIs. And in the Minnesota elubhouse. Gladden is known more for his practical

Viola had a count of three balls on just against San Francisco in seven games, even hothered early by his lack of control, walk- "He's a little gooty." Kelly said when one batter, Tom Lawless in the fifth, and bad some predictable trouble with the ing two batters in the second inning and someone asked about Gladden's supposed

Lombardozzi did not differ. "Goofy." the second baseman said. "But we need a little of that.

Gladden, who came out for a curtain call Magrane was surviving, but he could not from the hanky-waving crowd of 55.171, make it through the fourth. There were disputed the tag but offered a little humor in three consecutive singles, hy Gary Gaetti. the postgame conference. How did be feel as Don Baylor and Tom Brunansky, to load he ran the bases? "I was excited," he said. "I the bases, then a two-run single by Kent tried to hold my emotions. I thought about

> He was referring, of course, to the stiffarmed home run trot by the San Francisco outfielder in the National League playoffs. But Gladden is no power hitter, having hit 24 homers in four seasons and only one previous grand slam.

> "He got a little embarrassed one time in Detroit when he struck out with the hases loaded on three had hreaking halls," Kelly said. "He felt bad, hut he went on and got

some big hits."

Lombardozzi followed a one-out walk to Hrbek with a homer to left against Forsch. and the game was all but over.

Viola kept the top two Cardinal base stealers, Coleman and Smith, off the bases and permitted only one runner as far as second base after St. Louis scored its run. "This is a confidence-builder," Viola said. "We sure as heck got our fans fired up."

Tyson Hammers Biggs, Wins in Seventh

By William Gildea Washington Post Service ATLANTIC CITY, New Jersey

champion, scored a technical knockout over Biggs on Friday night with a devastating left hook at 2:59 of the seventh round of the

The fight was stopped without a class. So I was going to make him count as Tyson unceremoniously pay. deposited the previously unbeaten Ty challenger in a heap in his own

seconds earlier, Tyson, who had sound like a woman screaming. hand, a won 28 of 32 professional bouts by knockout, sent Biggs (15-1) through the ropes with a left that signaled the end was need. Pilot the signal of the signal signaled the end was near. Biggs, a from the fifth round of threat to Tyson during the sched-threat to Tyson during the sched-the relentless Tyson. · · · uled 15-rounder, Tyson's first defense of his unified crown, which in Convention Hall realized early includes the World Boxing Coun-cil, World Boxing Association and - International Boxing Federation ti-

"I could have knocked him out in the third round," said Tyson. "I wanted to do it very slowly. I wanted him to remember it for a long

week. Tyson stormed around the Mike Tyson made Tyrell Biggs ring after Biggs, who was virtually pay, and pay plenty.

Tyson, undisputed heavyweight bloodied from a cut about his left.

He was going to lose and be was

Tyson said he knew he had Biggs beaten in the second round because he said his body shots made Biggs

from the fifth round on and taking thunderous lefts and rights from A near-capacity crowd of 12,000

that Tyson would win easily - it was just a question of when he would put Biggs away.
This, despite the fact that Biggs towers over Tyson, 6-foot-44 to 5foot-10 (1.95 meters to 1.77), out-

weighs him 229 to 216 pounds (104 kilograms to 98), and has a 9-inch time."

reach advantage.

What irritated Tyson and gave him extra incentive were prediction fight mentally tough," Biggs said

tions of victory by Biggs and his later. "I just let him dictate the manager. Lou Duva, earlier in the fight after the second round." fight after the second round." Said Tyson: "I don't believe

there's a man on the planet who can In the first round, Biggs used his height and reach to good advan-tage. He kept Tyson at bay with his

going to get knocked out." Tyson jah while circling back and to the said later. "He talked so much. He left away from Tyson's powerful didn't show any respect or any class. So I was going to make him pay."

I woon said he know he had Biggs

In the final minute of the round. Tyson caught up to Biggs with his vaunted left, landing a hook that rocked him. Tyson landed a right

hand, and, at the end of the round, Biggs was bleeding from the Tyson continued to press Biggs in round two. Biggs was not run-ning as much, and Tyson scored with a jab and a hard hook. Driving in, Tyson scored with a right. Ty-son rocked Biggs with two hooks to

the head. Tyson peppered Biggs with jabs to open round three, then connected with a crunching hook. Biggs drew a warning for a low blow.

Tyson landed a right and cut Biggs above his left eye. Tyson joiled Biggs with another left, then ham-marked two more hooks and a tree.

head in dismay as he returned to his corner, bleeding beavily around the

left eye. At the start of the fourth, Biggs jabbed feebly and Tyson continued to move in, scoring with a hook. With Biggs close to the ropes, Tyson hit him again with a left, then scored a still right cross to reopen Biggs's cut.

Early in the fifth, Biggs landed a right and a left to the bead, but Tyson kept moving in. Tyson ham-mered Biggs with a right and the referee tried to break them apart as the round came to an end.

Tyson pressed relentlessly in the sixth. He scored with a hard right to the head. He drove Biggs back with a left to the bead and another to the midsection.

Tyson scored with five consecutive lefts to the head; the wonder of it was what kept Biggs upright.

Tyson greeted Biggs in the sevmered two more hooks and a tre-mendous left into his bloodied face. mendous left to the head, a hook At round's end, Biggs shock his that left Biggs down and out.



Mike Tyson, looming over challenger Tyrell Biggs after burgh, nonunion quarterback Steve

Falcons, in Comeback, Defeat Rams, 24-20

The Associated Press

ATLANTA - Erik Kramer passed for 335 yards and three second-half toucbdowns to lift the Atlanta Falcons to a 24-20 victory over the Los Angeles Rams. It was their last of three replacement games during the strike by

PRO FOOTBALL

regular players of the National Foothall League. The Falcons overcame a 17-0 halftime deficit against a Rams team that included 11 of their regu-

lars. The Falcons had only one. The Rams, playing with no timeouts left, drove from their 20 to the Atlanta 5-yard line, where Lyndell Jones intercepted a pass, the fifth turnover for Los Angeles. The 24-day walkout by the NFL Players Association ended Thursday when players returned, only to

this week. Regulars throughout the league are sebeduled to return to practice and play in next week's games.

Steelers 21. Colts 7: In Pitts-

Chuck Sanders ran 10 yards for another and the defense contributed five turnovers to lead the Steelers past Indianapolis, Bono's second touchdown pass, a 20-yarder to Merril Hoge, broke a 7-7 ue 4:59 into the fourth quarter. Browns 34, Bengals 0; In Cincin-

nail, Gary Danielson threw four touchdown passes against an inex-perienced Bengal replacement team as veteran-laden Cleveland overwhelmed the Cincinnati defense. Danielson, at 36 the oldest Cleveland regular, led a contingent of eight Browns who crossed picket lines Wednesday to play in the season's first meeting of the AFC Central Division rivals.

lopsided victory in the bitter 18year history of the intrastate series. Seahawks 37, Lions 14; In Ponti-

ac. Michigan, all-pro wide receiver Sieve Largent, who crossed picket be told they were too late to play lines last week, caught 15 passes for 261 yards and three touchdowns as Seattle pounded Detroit. Quarterback Jeff Kemp, who also returned last week, threw four TD passes against a Detroit secondary of replacement players. Largent's num-ber of catches and yardage were

New England improved to 3-2 while the Oilers, whose strike re-

placement team won its first two games, dropped to 3-2. Saints 19, Bears 17: In Chicago

Packers 16, Eagles 10: In Green Bay, Wisconsin, James Hargrove ran five yards for a touchdown with 9:56 left in overtime to push the

overtime games this season, win-ning one, losing one and tying one. The Packers are 2-2-1 overall, 2-1 in the three weeks of nonunion

interception 30 yards for a touchdown and Arthur Wells recovered a Minnesota fumble in the end zone, leading the Buccaneers over the Vikings. The smallest crowd in Bucs replacement ball ended a two-week run in Tampa Stadium with the overall, including 1-2 in strike

ter Dan Turk - played Sunday No Minnesota regulars returned to

SCOREBOARD

Football

- Selected College Results World Series Summary

Alfred 21, Hobart 14
Anniersh 17, Colby 9
Boston U, 1e, Rhode Island 13
Brown 21, Cornett IS
Coloute 22, Army 20
Connecticut 21, Massochusetts
Hamilton 25, Wasleyon 14
Hangard 27, Unstragetth 2 Hamilton 25, Wesleyon 14
Harvard 42, Darimouth 1
Holy Cross 42, Bucknell 10
Lafavette 32, Davidson 10
Middlebury 21, Botes 14
Hovy 35, Perm 26
Hew Hompehire 24, Northeast
Princeton 14, Lehieht 15
RPI 29, Union 17
Rochester 31, Horstine 28
Ruisers 38, Boston Col. 24
Syrocuse 43, Perm 61, 21
Trinliv 42, Tuffs 16
W. Virginia 45, Cincinant 17
Williams 24, Bowdoin 6
Yate 27, Columbia 13
Alabama 41, Tennessee 22 Alabama 41, Tennessee 22 Auburn 20, Georgia Tech 10 Clemson 17, Duke 10 Clemson 17, Duke 10 E. Carolina 32, Virginio Tech 23 Florido St. 32, Louisville 9

Fiorida St. 32, Louisville 9
Georgia S2, Vanderbiit 24
James Madison 20, VMI 17
Kentucky St. 38, Miles 14
LSU 34, Kentucky 9
Moryland 14, Walke Forest 0
Memehis St. 45, Tulane 3e
Mississipel 24, SW Louisland 14
N. Carolina S1, Virginia 10
Tenn-Chottonooca 22, Citadel 19
MNDWEST MIDWEST Bowling Green 20. Toledo 6 Cent. Michigan 41, Tuisa 18 E. Illineis 20, Indiana 5t. 14 E. Michigan 35, Bell SI, 26

E. Michigen 25, Ball SI, 28
Evans-Hile 28, Butter 28
Hänels 16, Wisconsin 13
Kard St. 27, W. Michigen 13
Michigen 37, Iowa 10
Michigen 37, Iowa 10
Michigen 37, Iowa 10
Michigen 37, Iowa 11
Miscouri 42, Iowa 51, 17
N. Hänels 27, SW Miscouri 27
Ohlo Wesleyun 24, Kenyon 21
Oktoheme 39, Konses 51, 19
W. Hilnols 21, S. Hilnols (5
Youngstown 51, 20, Austin Peory 10
SOUTHWEST
NW Louisione 24, SW Texas SI, 21
Rebreske 35, Oklohoma 51, 9
Texas 14, Arkonsus 14

Nebroeka 35, Oklahoma St. 0 Texes 16, Arkansas 14 Texes A&A 34, Baylor 10 Texes Christian 19, N. Texes St. 10 Texas Tech 50, Rice 7

Arizona 31, Oregon St. 17
Arizona St. 35. Washington St. 16
Colorado 35. Kanasa 10
Howall 25, Urbn 14
Hohe 36. Mevada-Reno 28
Lone Beach St. 22, New Maxic
N. Arizona 32, Hahe St. 22
Natre Danne 35. Air Force 14
Pocific (Ore) 28. S. Oregon 15 Ington St. 7 Pacific Idre.) 28, S. Oregon 3 Set Jose St. 20, Freeno St. 16 Southern Col 37, Woshington 2 Stanford 44, Som Diego St. 40 JCLA 4), Gregon 18 Jish St. 17, Pacific U. 13 Alyeming 37, Houston 25

UFL Standings

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B—St. Louis 2. Minnesota 7. 2B— Linde-in. Gaetti, Gladden. HR—Gladden [1], man, Goeth, Stodden, HR.—Gladden (1), Lembordozzi (1), SB.—Gladden (1), Umpires.—Home, Dave Phillips (AL); First, Lee Wever (NL); Second, Grag Rosc (AL); Third, John McSherry (NL); Leff, Ken Kolser (AL); Right, Terry Tata (NL).

Oct. 18: 51. Louis (Cox 11-7) of Munnesota (Biyleven 15-12) Oct. 30: Minnesota at St. Louis, 8:30 P.M. Oct. 21: Minnesota at St. Louis, 8:25 P.M. x-Oct. 22: Minnesota of St. Louis, 8:25 P.M. x-Oct. 24: St. Louis at Minnesota, 4 P.M. x-Oct. 25: St. Louis at Minnesota, 6:25 P.M. (x-M necessory)

MEN'S TOURNAMENTS Blobodan Zhvollnovic 14), Yugaslavia, det.
 Marty Davis, U.S. 7-5, 6-6.
 Ivon Lendi, Czechoslovašia, def. Ramesh
Krishnan (7), India, 6-2, 6-3.
 Pat Cash 131, Australia, def. Scati Davis (5),
 U.S., 6-3, 7-5. Boris Becker 12), West Germany, def. Paul

Annacone (El. U.S., 6-3, 6-2, Semifiacie Lendi dei, Zivolinovic, 63, 7-5. Cosh def. Becker, 6-3, 2-6, 7-6 [7-4]. Fiscal Lendf def. Cosh 6-4, 6-2, 6-4 (At Toulouse, France)

[A? Toulouse, France)
Quarter-fleats
Tim Mayorie 11), U.S., def. Claudio Mezzadri
18), Switzerland, 4-2, 6-1.
Rickl Osteritum, West Germany, def. Luiz
Matter, Brazil, 3-6, 6-4, 6-1.
Tim Wilklaan, U.S., def. Jerome Poller,
France, 6-4, 6-7 (4-7), 6-1.
Jakob Missek 141, Switzerland, def. Patrick
Kutneen, West Germany, 6-4, 1-6, 6-2.
Semitinats

Amountie def. Hiosek, 6-3, 6-1.

Please Mayotte det, Osterthur, 6-2, 5-7, 6-4, WOMEN'S TOURNAMENT [At Filderstodt, West Germany]
Quarterfinale

Parting Navralliavo, U.S., def, Lori McNell U.S., 9-4, 6-2. Gabriela Sabatini, Arsentina, def. Helena Sukova. Czechaslovakia, 6-7, 7-6, 6-3. Pom Shriver, U.S., def. Zina Garrison, U.S.,

Evert del. Striver, 7-5, 6-3, Navratilova def. Evert, 7-5, 6-1

Transition

FOOTBALL

Low, infletder.

18T. LOUIS—Drapped Jack Clark, first baseman, from active roster, Added Lee Tunnell, pitcher, to active roster.

BASKETBALL

National Bosketball Association CHARLOTTE-Named Tom Couch trainer.

puord.

NOUSTON-Signed Raigh Sampson, forward, to a six-year controct.

INDIANA-Walved Anthony Frederick,

CNAMPIBNSHIP QUALIFIER Group Z Switzerland 0. Livy 0 Polats: Sweden 10; Haly 7; Switzer Partugat 5; Maita 1.

Español I, Real Madrid 2 Athletic Bilboo I, Real Sociedad 4 Les Palmas 2, Zarapoza 1

National Hockey League Standings

WALES CONFERENCE HCK DIVISION W L T Ph GF GA 3 2 0 6 18 16 2 2 0 4 24 19 2 2 1 5 14 20 1 2 2 4 23 22 ms Division 3 1 1 7 21 16 3 2 6 6 20 17 2 2 2 6 22 26 2 2 1 5 16 16 1 5 0 2 12 28 CAMPBELL CONFERENCE APPELL CONFERENCE

Norts Division

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3 2 0 6 22 16

2 3 0 4 15 13

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PRIDAY'S RESULTS Now Jersey 2 1 1—4 McPtec 212), Broten (2), Laiselle 14); Doth-in (2), Richer (4), Maslund (11, Shots on seel) Montreal (on Chevrier) 8-9-6—23; New Jersey Quebec 1 0 1 4—2 Berfolo 0 1 1 6—3 P. Stoshny 2 (4) ; Smith (1), Gi(thes (2). Shorts St. Laufe

(on Stefan) 4-13-7-26; Detroit (on Wrappet) Sundstrom (1), Gustalsson 2 (3), Cavellint (2), Christian 12), Gartner (7); Ilineen 2 (2), Shots on exact Portford (an Molarchuk) 74-6—19; Washington (an Sidorklewicz) 13-18-13-34. ### 13–36.

13–36.

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G 6 1–5

Edmoston

Colegory

Miner (1), Smith (1), Anderson 3 (6): Mocinnis 131, Multen (2), Shots on soot: Edmost

Miner (1), Smith (2), Shots on soot: Edmost

Miner (2), Shots on soot: Edmost

Colegory

Miner (1), Figure (2), Shots on soot: Edmost

Colegory

Miner (1), Smith (1), Anderson 3 (6): Mocinnis 131, Multen (2), Shots on soot: Edmost

Colegory

Colegory

Miner (1), Figure (2), Shots on soot: Edmost

Colegory

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Colegory

Miner (1), Figure (2), Shots on soot: Edmost

Colegory

Colegory

Colegory

Miner (1), Figure (2), Figure (2), Figure (3), Figure (3

Consider Football League SASKATCHEWAN—Activated Denny Ferdinand, running back, from the Injured (ist and blaced him on the reserve list. Placed Eddle Love, linebacker, on the reserve list.

Activated Billy Jackson, (inebacker, from the Activated Billy Jackson, finabocker, from the reserve list, Released Doug Davie and Jeff Workon, effectable linamen. WINNIPEG—Put Richard Nemeth, tockle, on the ledured list for the remainder of season. NOCKEY
Noticed Hockey Leasure HART FORD—Purchased the control of

European Soccer

SPANISH FIRST DIVISION

Seffolo
Quobec
Dyiestru (11, Gillies (2), Foligno 12), Sheppord (1), Andreychuk 12), Housley (4);
Rochetori (1), Eogles (1), P. Stestiny (5),
Short on goal: Buffolo (on Gosselin) 12-15-7—
1 34; Quebec (on Borrusso) 14-5-13—32.
Near Jersey
1 2 1 6—3
Hariford
1 0 6 1—4 Govin (1), Williams 11), Oinsen (3), Tar-Govin (1), Writiams (1), Uniform (1), 111-504 (2); MacLean (2), Verbeek 2 (4), Shots as Seat; New Jersey (ps Weeks) 7-10-12-1-30; Hartford (on Chevrier) 15-7-15-36. 80stea 1 2 6-3 25-3 25-3 Messiar (5), Anderson (7), Gretzky (7), Lo-combe (2): Surridge 2 (4), Middleton (1). Shets on sout: Boston (on Fuhr) 8-149—31; Edmonton (on Lemella) 8-9-18—35. Chicage 8 3 8—3 Prester 2 (2), Saverd (3); Gilmour (2), Flockharl (1), Shets on seal; Chicaso (on Werneley) 7-16-10—33; 81, Louis Ion Moson) 13-49—28. Montreal 1 1—3
Smith (2), McPhee (1), Corbonnau (1);
3 1 3—6
Simpson (4), Lemieux (4), Storts on gout:
1, Cavellint | Pittsburgh (on Ray) 4-5-9—18; Montreel (en Incen 2 (2)).

and Craig Ceitins and Scott Brooks, suards.

UTAH—Welved Art Sobb, stord, and AsST. LOUIS—Sent Robert Dirk, Setengamen. TORONTO-Announced that Ken Yoursmchuk, torward, has lained the Canadian Olympic Hockey Team.
VANCOUVER—Recusioned Dave

Sounders, left wing: Dan Woodley, center: Todd Howkins, Ron Siern and Jay Mazur, road Hawking, soon Stern and Jay Mazur, right Wingt, and Curlis Hunt, defensement, from Fredericton of the American Hockey League, Named Cesare Maniage goaltending consultant.

MISSISSIPPI STATE-Named Larry Tem-

Alietica de Madrid 1. Murcia 9 Votencia 3. Volladelld 1 Sevilla 2. Gilon 8 Codiz 1. Oscauna 1 Polents: Real Modrid 14: Alhietic Bilibao 18: Alferica Madrid. Velencia. Codiz 9: Celta. Sevilla 8: Real Sociedad. Bells, Oscauna, Zarosea. Velladelid 7: Materica, Gilones: Las Palmas 5; Murcia, Barcelona, Español, Sabadell 4: Appropries 3.

4; Logranes 1 ENGLISH FIRST DIVISION ENGLISH FIRST DIVIE Charlien 0. Derby County 1 Chelsen 1. Coveniny 0 Liverpool 4. Queens Park 0 Luten 2. Wimbledon 0 Manchester United 2. Norwich 1 Newcoatle 1. Eventon 1 Nottingham Forest 3. Sheffleld Wednesday (

Marsettie 3, Le Hovre 1 Lille 1, Toulon 9 Lavor 4, Lens 9 Peints: Monaco 22: Nontes, Bordeoux 14: Rocine-Matra 18: Marsettle, St. Ellenne 17: Metz, Niori, Carries 16: Montpellier, Auserra 15: Lille, Nior, Taulouse 14: Toulon, Paris 5G 13; Lavel, Le Havre 11; Arest, Lens 10. WEST GERMAN FIRST DIVISION Bayer Leverkisten B. Bayer Verdingen B Einfrachi Frankfurt 1. Cologne 1 Bor, Monchemiodbath 1. Werder Bremen 2 Nuremberg 1. Schalke 1

Walchol Mannhelm 4 Karlsruhe 1 Bayern Munich 4 Kalserslautern Z Homburg 3, Stuffgart 0 Points; Werder Bromen, Calogne 71; Bovern Munich 20; Borussio Manchengladbach 17; Stuffgart 15; Hamburg 14; Karlsruhe 13; Norembers, Bover Leverkusen 12: Eintracht Frankfurt, Harnover 11: Waldhaf Marshelm, Schalke, Kaiserslauhen 10: Bochum, Borussia Dortmund, Baver Llevelingen 9: Hamburg R.

Golf

(At Westworth, England)

Quarterfinals

man, Australia,)-up. Ian Woosnam, Britain, def. Nick Faka, Brit-Semifinais Woosnam def. Bollesteres, 1-up. Lylo def. McNuity. Ihird extra hole.

Oklahoma and Nebraska Stay on Collision Course

Compiled by Our Staff From Dispatches NEW YORK — Oklahoma and Syracuse, New York, quarterback Nebraska, ranked I-2 since the start Don McPherson accounted for five of the season but playing like Nos. 1 touebdowns, including an 80-yard and 1-A, remain on a collision pass to Rob Moore on the game's course after rolling over Big Eight first play from scrimmage, to help football opponents on Saturday.

Top-ranked Oklahoma, a nine-team in the East. McPherson threw

U.S. COLLEGE FOOTBALL consecutive defeat. No. 2 Nebraska, meanwhile, made surprisingly easy work of Oklahoma State, rolleasy work of Oklahoma State, rolling up a 466-43 margin in rushing to said vincing by 350. East's traditional power, fell to 5-2. yards and winning by 35-0.
Oklahoma and Nehraska, both

down on Nov. 21. The winner of that game will likely play for the national championship in the Orange Bowl on New Year's Day. Nine players scored for Oklahoma, which outrushed Kansas State by 518-89. You make a mistake

Oklahoma Coach Barry Switzer, mingham, Alabama, freshman Jeff as he has every Saturday this season, heaped praise on his opponent after a 90-yard touchdown pass and the blowout, "Kansas State played a Bobby Humphrey rushed for two

defense competed very well."

control the game like that," said Nebraksa's coach, Tom Osborne, "I felt the strongest part of Oklahoma State was their offense, but our defense played a super ballgame."

Nebraska, which had 36 first downs to Oklahoma State's 16. held the nation's rushing leader,

in nine carries. Thomas had averaged 140 yards a game. Nebraska is 25-0-1 in its last 26 games against the Cowboys, who despite falling to 5-1 are off to their best start in 42 years. "We just absorbed a sound whipping," said OSU Coach Pat Jones. He said that quarterback Mike Gundy "was essentially running for his life - and he was running away from people who were quicker than he was."

UCLA 41, Oregon 10: In Pasadeworld matchplat championship na, California, freshman Randy Austin broke the game open by racing 38 yards for a touchdown on Sandy Lyle Britain Set Larry Mize, U.S. 7 a fake punt, and the Bruins took Rock, Arkansas, Bret Stafford

advantage of seven turnovers to register their rout of Oregon.

UCLA scored in a record 187th consecutive game. Southern California had a run of 186 games without from 1967 to 1983.

One of the few banners hung over the railings by fans read: "Thank B Teams." The crowd gave including a 19-yarder to Erie Method of the field when as the players a standing ovation as the players a standing ovation as the players. UCLA's last shutout was a 38-0 loss to Michigan in 1971.

Syracuse 48, Penn State 21: In

touchdown favorite, handled Kan- for three TDs and ran for two as sas State 59-10, the Wildcats' 11th Syracuse broke a 16-game losing streak against Penn State. Syracuse improved to 6-0, the first time it has been undefeated this far in the season since it won the national title in 1959. Defending na-

Auburn 20, Georgia Tech 10: In 6-0, have four more games each Atlanta, Jeff Burger capped a 91before their season-ending show- yard drive with a 4-yard ID pass to Lawyer Tillman with 24 seconds left and Aundray Bruce scored on

LSU 34. Kentucky 9: In Baton Rouge, Louisiana, Harvey Williams rushed for two touchdowns against them, and it's a touchdown," Kansas Coach Stan Parrish three first-half field goals. Kenthe Bears to 4-1, while New Orleans said. "I had nightmares Friday night thinking about how bad it could be if we put it on the of 40 points in its first five games. Alabama 41, Tennessee 22: Bir-

very physical, scrappy game," he scores as the Crimson Tide said. "They never quit and, their drubbed the Volunteers. Tennessee 14-1-1) threw five interceptions and "I had no idea we'd be able to loss two fumbles. Ohio State 20, Purdue 17: In West Lafayette, Indiana, Matt Frantz kicked a 50-yard field goal with 3:10 left for the 41-1 Buck-

eyes, who had squandered a 17-0

halftime lead. Michigan St. 38, Northwestern 0: In Evanston, Illinois, Lorenzo White rushed for 187 yards and Thurman Thomas, to seven yards three touchdowns as the Spartans trounced Northwestern. White became the second player thehind Ohio State's Archie Griffin) in Big Ten history to rush for more than 4,000 career yards as he raised his total to 4,099, including bowl games.

Notre Dame 35, Air Force 14: In Colorado Springs, sophomore quarterback Tony Rice, replacing the injured Terry Andrysiak, ran for two touchdowns and Tim Brown returned a punt 74 yards for a score to spark the Irish.

Severtono Bollesteros, Spoin, del. Senti Simpson, U.S., Sand-t. Mork McNulty, South Africa, def. Grey Hor-man, Austrolia, Jan.

Mark McNulty, South Africa, def. Grey Hor-man, Austrolia, Jan.

Mark McNulty, South Africa, def. Grey Hor-man, Austrolia, Jan.

Mark McNulty, South Africa, def. Grey Hor-man, Austrolia, Jan. kansas 32.

It was the first shutout and most

both club records, breaking marks be previously held or shared. Unul Sunday, Kemp, a hackup to regular quarterback Dave Krieg, hadn't thrown a single pass this

Patriots 21, Oilers 7: In Houston, Doug Flutic engineered scor-ing drives on New England's first two possessions, and Raymond Clayborn returned a field goal blocked by Andre Tippett 71 yards for another score to lead the Patriots to victory over the Oilers. Flutie, acquired last week from the Chicago Bears, threw a 27-yard touchdown pass to Larry Linne while Michael LeBlanc added a 3-

yard run. Linebacker Tippett blocked a Tony Zendejas field goal attempt late in the first half that Clayborn scooped up and returned 71 yards for a touchdown.

Florian Kempf's fourth field goal of the game, a 21-yarder with 4:30 to play, boosted New Orleans to victory over the Bears, the last un-defeated team in the NFL. Kempf also connected on kicks of 48, 31 and 42 yards, and John Fourcade threw a 14-yard touchdown pass to went to 3-2. No Bear regulars

Paekers past Philadelphia in their last strike replacement game. Hargrove's run capped a 10-play. 76-yard drive on Green Bay's first and only possession of overtime, one that featured passes of 12 and 27 yards from quarterback Alan Risher to Lee Morris. Green Bay bas now played three

football. Philadelphia, 1-4, lost all three strike replacement games.

Bues 20. Vikings 10: In Tampa, Forida. Kevin Walker returned an history - 20,850 - watched as Bucs improving their record to 3-2

Only one member of Tampa Texas 16, Arkansas 14: In Little Bay's regular 45-man roster -- cen-

calf on fourth-and-10 from the Ar-(AP, UPI) game ended.

EW.

Singer

And St.

 f_{iiris} :

ACTO SECURE

18 (B.N.)

Baseball

Oct. 17: Minnesota 10, St. Lauis 1 Oct. 18: St. Lauis (Cax 11-9) at Minnesot

Tennis

Semificals

Moyotte del. Hidsek. 6-3. 6-1.

Osterthun del. Wilkison, 5-7, 6-4. 6-2.

4. 6-2. Chris Evert, U.S., det. Mary Joe Fernandez. U.S. 6-2. 5-7. 6-4. Semifficials Novrotillova det. Sabatial, 6-2, 6-2.

er, to the California Ampels for Todd Clincer, pitcher; essigned Fischer to lowe of the American Amediation. MONTREAL—Autopuaced it will not renew the option for 1986 on the contract of Vance

GOLDEN STATE—Out Darry! Johnson, word, and Terry State, forward; walved sensy Botton, forward, and Ron Legalite.

torward,
L.A. LAKERS—Wolved Kenny Travis and
Frunk Ford, sucress,
MILWAUKEE—Spined Chartle Davis, forword, to a energear contract, Released Bruna
Kongowoln, forward, and Steve Alltchrit.

puard.

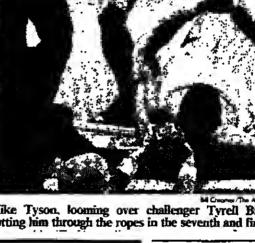
NEW JERSEY—Announced it will not make a contract ofter (a Ray Williams, guard. NEW YORK—Traded Jawann Oldham, forward-center, to Sacramenia for a 1988 second-redad draft choice. Signed Mark Jackson, guard, to a mutitioen confract.

PHILABELPHIA—Waived Kenny Green.
Brian Rahiliy and Cloude Gregory, forwards,

Hockey

P. Steshinz 2 (4): Smith (1), Gignes (2): Smiss in goes: Quebec Ion Barrossol (19-4)-14—34; Bulfido (on Gosselin) 44-12-2—26. Terosio 0 1 1—2 Detroit 1 1 1—3 Krimo 13I, Yzerman (2), Probert [11]; Rich-ordson (1), Olczyk (1), Shots in goot: Toronto Les Shafen 4, 134—34. Perfort (on Wingood)

Winsteed 8 2 3—5
Minnesoto 8 1 1—2
Ellet? (1), Jarvenson (2), Toglianetti 11,
Carivie (2), Howerchak (1); Berger 2 (2),
Shots on goal: Winnbee (on Beoupre) 9-2)11—G; Minnesoto (on Reddick) 9-75—21,
Philodelphie 9 2 3—4
N.Y. Standars 6 1 2—3
Tocchef (1), Crovan (4), Sinksola (3), Doobin (1); Wood (2), LaFontoine (5), Polvin (7),
Shots on goal: Philodelphia (on Hrudev) 7-1111—27; New York (on Young) 9-125—28,
N.Y. Rangers 2 1 5—2
Washiashad Sundatron (2), Hunter 2 (2), Lanswoy (1);
Illanne (5), Kilel (2), Show (1), Shots on goal:
N.Y. Rangers (on Melarchal 8-124—25;
Washiashad (on Freess) 11-515—31.
Beffole 3 2 1—4
Washiashad (3), Show (1), Shots on goal:
N.Y. Rangers (on Melarchal 8-124—25;
Washiashad (3) 1 3—3
Dykstru (1), Gillies (2), Foligno (2), Shep-



putting him through the ropes in the seventh and final round. Bono passed for two touchdowns,

Hunter Thompson, Ex-Gonzo Journalist

Los Angeles Times Service
WOODY CREEK, Colorado
— For more than an bour, Hunter S. Thompson has been calmly and cogently presenting his views on national politics be-

tween bites of his lunch. Suddenly, be stops in mid-sentence and emits a blood-curdling

He has detected a strand of hair on the lip of his drinking glass and cannot continue. Not just a small hair, but a "large, ugly, blackrooted hair" that is spoiling his jumbo tumbler of Chivas on the

Soon, everyone at the Woody Creek Tavern in this Rocky Mountain hamlet - from the manager to the neighborhood barfly -is holding the glass up to the light and examining it with the concentration of government health inspectors. No one can see any foreign matter - except for Thompson, who has worked himself into a snarling fever trying to get someone to admit that he's not just hallucinating.

Finally, the bartender Mary Harris defuses the crisis. "Why, yes," she says, turning the glass around, "I can see the hair now." Vindicated, Thompson placidly returns to his discourse.

For a few fleeting moments, the barroom has gotten a glimpse of the Gonzo journalist of old that literary lion of lunacy who used to prowl the corridors of power for Rolling Stone magazine with a quart of Wild Turkey in one hand and a bottle of amphet-amines in the other; the "Good Doctor" whose fear and loathing of American politics were expressed in hilariously vituperative attacks on national political figures; the founder and chief practitioner of a peculiar brand of "new journalism," which beld that the story of the writer struggling to work through a drug- and alcohol-induced frenzy was a lot more interesting than whatever his editors had assigned.

Today, however, there is a new and possibly improved version of Hunter S. Thompson — a sedate. almost serene, scribbler of serious political prose for a syndicated column. What's different is both the man and his message. He's 50 years old now and be knows that what was charming when he was

30 or wild when he was 40 takes on a pathetic patina with the big Five-O. The outrageous outfits of Hawaiian shirts, baggy shorts and high-top sneakers are mixed these days with mountain-man khaki pants and flannel shirts.

And, sometimes, the man who once derided the United States as a nation of 220 million used-car desmen "with no qualms at all about killing anybody else in the world" sounds suspiciously like a flag-waving, Republican-by-birth patriot. "This is the only nation in the world where your vote is heard. You make a difference." the new Thompson says with apparent sincerity. "You do have a say in things. Democracy is really not a bad idea if you pay atten-

One reason the change seems so marked is that for the last decade Thompson has been something of a recluse on his 100-acre farm here, content to leave the Gonzo image intact rather than go to the trouble of replacing it publicly. But the new Thompson is more "organized," more "sensitive," more "open to serious intellectual exchange." according to his

For confirmation that Gonzo is gone, just glance at the stack of political columns he has been writing for the San Francisco Examiner since 1985. (The column also has been appearing in about Iwo dozen U.S. newspapers since August.) Thompson is devoting nearly all his 1,000 words a week to a discussion of the 1928 presidential candidates and issues instead of comically inflated ac-counts of his misadventures with dope, Dobermans and deranged

Thompson is rightfully proud that even back in the Gonzo days, mainstream journalists recognized that beneath all that LSD-induced gibberish lay an oftenastute political analyst. Garry Wills, among others, has praised Thompson's 1973 book, "Fear and Loathing on the Campaign Trail '72," as the most insightful study of that year's presidential

Thompson go1 so hooked on the rush of covering national politics in 1972 — "like a Jackrabbit gets addicted to road-running" — A self-described "hillbilly" from Kentucky, the son of an in-



Hunter Thompson in his heyday as a Gonzo journalist.

come of each primary, a practice surance agent. Thompson began be continues to this day. "I just as a sportswriter for an Air Force from the political arena, he was found it was a good way to learn

it," he says. It may not be entirely an idle boast. In an Examiner column on the 1986 mid-term elections, Thompson correctly picked 15 of 17 Senate races.

One reason Thompson has said goodbye to Gonzo journalism founded when be was sent to write a story about the 1970 Kentucky Derby for Scanlon's magazine and, unable to cope with the deadline pressure, "just started jerking pages out of my notebook and numbering them and sending them to the printer" — is that drugs were always integral to his creative process.

Amphetamines helped him get his stream-of-conscious thoughts into the typewriter, he once ex-plained, while all the LSD be had taken in San Francisco's Haight-Asbbury in the mid-1960s helped him to dissolve his inhibitions.

Today, the drugs have been cut way back, "Oh yeah, I had to," he laments. "There's not enough people to have any fun with.

What the hell, I'm by myself. The
last dope fiend. It's hard to find the right people to party with."

A self-described "hillbilly"

base newspaper in Florida. He was discharged honorably but early for his "flair for invention and imagination" and overall disregard for authority.

After various stops and starts, cluding a stin1 as a bowling writer in Puerto Rico, Thompson in 1960 began free-lancing articles about South American smuggling, the Free Speech Movement at Berkeley and the hippie drug culture in Haight-Ashbury. He first gained notoriety as the anthor of a 1967 book about the

ocratic national convention in Chicago in 1968 that Thompson says he became politically radicalized. And once he discovered the Gonzo style of writing, he and Rolling Stone found each other in

Thompson's relationship with the magazine deteriorated in 1975 the magazine deteriorated in 1975 good to write every week. It gets to be a habit, like a drug," he says to Saigon during the last days

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couldn't write anything about it save for rambling cables about his expenses and some lackinster pages from Laos.

After more or less cutting his ties with Rolling Stone, Thompson devoted himself to writing books, novels and screenplays. His 1971 book, "Fear and Loathing in Las Vegas," is probably his most critically acclaimed, but he also had huge success with "The Great Shark Hunt," a 1979 compilation of his articles.

In the 1980s, Thompson surfaced only occasionally. In 1983, he produced a best-selling book, "The Curse of Lono," chronicling in typical Gonzo fashion a Conrad-like dark journey to Hawaii, where Thompson started to believe he was the reincarnation of a god. That same year, he showed up at the U.S. invasion of Grenada (ostensibly to cover it) wearing a pair of pink linen golf pants that made him look like a Palm Beach tycoon who had taken a wrong

by no means forgotten. Cartoon-ist Garry Trudean immortalized bim as Raoul Duke in the "Doonesbury" strip. "A lot of people want to grow up to be firemen and president," Thomp-son once said. "But nobody wants to grow up to be a cartoon charac-

On a regular basis, baby boomers who had cut their political teeth on Thompson's writing would travel to Woody Creek in anthor of a 1967 book about the Hell's Angels. Though written fairly conventionally, the book employed the New Journalism technique of participating in the story, detailing how he rode with the Angels for a year until the motorcyclists savagely beat him during a brawl.

Spite a dozen of the spite a dozen of the story and "No Trespassing" signs in front of his home, not to mention his collection of 30 shotguns. And The Washington Post political writer Haynes Johnson pleaded plaintively in a column about the 1984 presidential election, "Hunter, where are you now that we need you?" search of the Good Doctor de-

In fact, Thompson was hiding out in Woody Creek and in the Florida Keys supposedly getting in the mood to write a new novel suffering a massive case of writer's block. He's over it now, thanks in part to the pressure of penning the weekly column. "It's

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LANGUAGE

A 'Piece of Work' and Fatal Flaws

By William Safire WASHINGTON — In "Veil," his book about William J. Casey's CIA, Bob Woodward climbs inside the head of Bobby Ray Inman, who had been the deputy ado, commotion in Charles chief spook and was apparently a key source for the newsman. "After a year," writes Woodward, "Inman had come to regard Casey as a piece of work, a term that Casey often applied to the oddballs in their midst."

Although I never sought to penetrate the dying Bill Casey's heavily guarded hospital room, I can attest to his frequent use of the term. He's a piece of work," the director of Central Intelligence would murmur, referring to a tempestnous lewonderment and either disapprov- god!' al or grudging admiration.

The phrase, as Casey used it, had a built-in ambiguity, which has not always been the case. The first citation in the Oxford English Dictio-nary's Supplement is under nasty: "a nasty piece (orbit) of work (or goods)." The mystery writer Agatha Christie preferred "nasty bit of goods," but the novelist Monckton Hoffe in 1928 described a villain as "really a rather nasty piece of work."

Even without the qualifying nasty, the British term piece of work long had a pejorative connotation. In a 1965 collection of short stories. Abioseh Nicol had a character think "what an obstinate and unpleasant piece of work the fellow was." This negative sense followed the phrase to the United States: in an interchange between famous novelists in 1978, after Gore Vidal dismissed Norman Mailer with "He reads nothing at all — he's never read me," Mailer shot back. He's really such a corrupt and unpleasant piece of work when you get to know him."

The phrase first appeared in a circa 1540 interdude written by the dramatist John Heywood: Here is an eye-tooth of the Great

Whose eves be once set on this piece of work, May happily lese part of his eye-sight.

In that context, the phrase seems to convey admiration, but a halfcentury later, a new meaning of century later, a new meaning of Mopping the flaws with fatality hard task, difficult business" was

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ing all this piece of work for?"

Along the way, between the early coinage of piece of work to denote to get out.
an intricate job and its later adoption (apparently throughout U.S. intelligence agencies) as applicable to assets or targets who are "oddball, eccentric, weird," the phrase was immortalized by William Shakespeare's Hamlet:

"What a piece of work is a man!

He was not suggesting man is some kind of flake. Consider Prince. Hamlet himself: a man tortured by doubt, driven by dreams, trusting nobody, burdened by his bloody secrets, half-crazily pretending to be demented. There was a piece of

REGRET more deeply than I can express," stated the presiden-tial candidate Alexander M. Haig Jr., "that the current proposed arms-control agreement is seriously flawed."

I give Haig credit for that: he avoided the most crashing cliche of treatymanship, that ringing triumph of alliteration, fatally flawed. Fatally flawed was Ronald Reagan's characterization of the SALT II treaty negotiated by the Carter administration, because he said it would not bring about reductions in large Soviet land-based missiles. The phrase worked well for him: in 1987, he told an interviewer that the plan put forward by Costa Ri-ca's President Oscar Arias Sánchez in Guatemala was fatally flawed. The New York Times, in rebuttal, editorialized: "The Guatemala plan, whatever its weaknesses, is not fatally flawed." The editorialist knew that, in the game of treaty flaws, to he seriously flawed is to mean "Look, this isn't so hot, but with a few big fixes, I could live with it," but to be fatally flawed is

to mean "This is one I want to run

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given the phrase in the anthor and translator Richard Carew's "It were an infinit peece of worke." In Dun's Review in 1975, "became it failed to tell a prospective employer what I could do for him," in 1983, the United States ambassa-Dickens's novel "Martin dor to UNESCO, Jean Gerard, and Chuzzlewit": "What are you mak- that the organization was "selling" skewed, so far off course, so fatally flawed" that the United States had

Indiana Senator Richard G. Lugar, observing a fraudulent election in the Philippines in 1986, refused to accept its legitimacy because the balloting was flawed in the way we have all come to know and love Nor is the phrase limited to politi cal righties: a spokesman for the How noble in reason! how infinite Union of Concerned Scientists gal client or kooky foreign leader, in faculties! . . . how like an an-called Reagan's Star Wars proposal shaking his head in a mixture of gel! in apprehension how like a too costly to put up and too inext. pensive to shoot down, therefore fatally flawed."

First use? Merriam-Webster has a 1916 citation from Sir Arthur Quiller-Couch's "On the Art of Writing" in which the famed stylist crinicizes a work for "the one fatal flaw that it imports emotion into a theme which does not properly admit of emotion." The lexicographer Fred Mish thinks the phrase goes back much further: Normally, the noun phrase would be constructed first — fatally flawed would come out of fatat flaw -and my guess is that fatal flaw is much older than 1916.

It could be that fatal flaw is rooted in tragic flaw. According to Stan Malless's and Jeff McQuain's "A Handlist to English," that tragic flaw, called in Greek hamaria, is "a fatal weakness in a tragic hero's character. In tragedy, hamartia causes the tragic hero's downfall or death. . . Having too much ambition is one of the most common examples

Which brings us back to president and candidates for president. who search for fatal or at least serious flaws and eschew hubris, the excess of confidence that is another a of the banana peels set in the paths 1. of heroes.

When a noun phrase ("That treaty has a fatal flaw") develops into an adjective modifying a norm ("That is one fatally flawed dish of oatmeal"), it becomes known to grammarians as a participial phrase. Knowing that leads to hu-

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